Jobs and the Metro Toronto Economy

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Foreword

Since the early 1950's, any problems associated with employment in Metro Toronto were defined in terms of accommodating its rapid growth. As a consequence, an assumption seemed to develop that an expansion employment and investment growth almost was inevitable. But of course it was not. In the past five years, the structure of jobs and employment, consistent with world-wide trends, have undergone significant changes in the Metro Toronto region. Well-publicized plant closures, bankruptcies, the migration of capital to other parts of the country, and a rising level of unemployment have all helped to shatter the popular illusion of inevitable growth.

This conference was held at a time when considerable confusion exists not only about what the current employment situation is but also about how governments, especially municipal authorities, should or should not intervene. Accordingly, the conference had two objectives. The first was to provide the public with an opportunity to hear informed opinion about the state of employment in the Toronto area. To achieve this objective the assistance of the Public Affairs Department of Toronto Arts Productions was enlisted to stage an evening panel discussion open to the public. The first series of papers in the text reproduce the views expressed by panelists from labour, politics, business, and media to an audience at St. Lawrence Hall on April 1st, 1981.

The second objective of the conference was to consolidate and, if possible, sort out data and state-of-the-art analyses on prospects for employment in the Toronto region. A day-long conference was held at York University on April 9 to do this. Practitioners and academics from a variety of disciplines read papers, reproduced here, and participated in a full examination of employment.

By splitting the conference into two parts, it was possible to provide an explanatory session in which the general public could participate as well as a more specialized analytic component.

The conference organizers would like to thank speakers who generously donated their time, as well as others who assisted with conference arrangements. As well, the organizers are grateful for financial assistance given to the conference by the President's Twentieth Anniversary Fund of York University.

Introduction

What is a job? Jobs are the central variable influencing the health and vitality of all urban centres. Jobs provide individuals and families with incomes in order to purchase the necessities of life, and they provide governments with the tax revenues required to support essential services and programs. But jobs do more than just generate money. They are, for most people, a way of gaining access to protective services and fringe benefits not available to those not employed (e.g. pensions, health benefits, perks). They are the means by which most people derive status and feelings of self-worth. Jobs are an important aspect of community involvement. Friends are made at work and these friendships are often carried into everyday life. And for some, jobs serve as the means by which creative or intellectual needs can be met. It becomes essential, therefore, when thinking about the employment problem now facing Metro Toronto, for us to be concerned not only with the quantity of jobs available, but also with their quality.

Despite a relatively strong rate of job growth for the metropolitan region, large job shortages do persist. There are over 80,000 people without work and looking for work in the Census Metropolitan area according to Statistics Canada.[1] This is the official estimate of unemployment. The Social Planning Council of Metropolitan Toronto estimates that real unemployment would be 25% more, over 100,000 people, if discouraged job seekers were also counted, and as much as 100% more, as much as 160,000 if the under-employed, those working part-time but wanting full-time work were also counted.[2]

Young people in Metro Toronto are bearing the brunt of this unemployment. People under 25 years of age account for almost half of all the unemployed although they are only one-quarter of the labour force. And there is evidence that racial minorities experience more unemployment than the white majority.[3] A large number of plants have closed down in Metro over the past five years. Many of the workers who became redundant as a result of these closings are over 55 years old. They are having considerable difficulty in finding employers willing to hire them.

The effects of unemployment are profound. It is not simply that the unemployed are cut off from the income they receive from work. The social and psychological effects of unemployment can be devastating. Unemployment has been linked to increased crime, mental and physical ill-health, suicides and family breakdown. It is not surprising. Unemployment can be an intensely frustrating experience. Feelings of despair and cynicism about society's willingness or capability to do anything about it will ultimately result in social chaos and a revolt of the unemployed. We should take heed of recent events in Britain.

The effects of unemployment are not all internalized by the unemployed or the immediate communities in which they live. Unemployment increases the demand for social and health services, the police, institutionalization, welfare and unemployment insurance. All of these place even heavier demands on the public purse at a time when revenues have been reduced because of unemployment. Unemployment is expensive. Full employment is an urgent necessity.

The other dimension to the job problem cannot be ignored. Over the latter part of the 1970's job growth in Metro Toronto was relatively strong compared to the rest of Ontario. Yet the kind of jobs Metro has been getting have been primarily in the business and personal services sector. Between 1974 and 1980, 45% of all new jobs in Toronto were in the business and personal service sectors while this sector is only 17% of the total economy.[4] Jobs in manufacturing have declined significantly as a proportion of all jobs in Metro. In 1974 manufacturing jobs were 39.4% of all jobs; in 1980 they were 35% of all jobs.[5] There are some who argue that this process

of "de-industrialization" is inevitable and that there is nothing inherently wrong with the service nature of the developing Toronto economy. While it is true that the service economy is an essential and productive element of the total economy, the real issue is the nature and quality of jobs in the burgeoning service sector.

Jobs in the business and personal service sector are on the average the lowest paid jobs in the whole of the economy. In 1980 the average weekly wage in this sector was $243.59 compared to $348.30 for the manufacturing sector.[6] And the rate of growth of wages is also lowest in the service sector, below the rate of inflation. Overall job growth figures are misleading because many of the jobs in the business and personal service sector are part-time jobs. Half of all new jobs created in the Ontario economy during the first six months of 1981 were part-time jobs.[7] The high proportion of services in urban centre economies makes it likely that part-time jobs are an even greater proportion of all jobs created in Metropolitan Toronto. Finally, the business and personal service sector trends to be very poorly unionized and the majority of jobs in this sector have few fringe benefits. Toronto is losing its good jobs and getting bad jobs in their place.

High unemployment and a changing job structure are having a very significant impact upon the social and economic life of Metropolitan Toronto. When the reality of job shortages, especially for youth, is linked to the trend toward low-paid jobs and the present unaffordability of family housing, the prospects for Metropolitan Toronto do not look bright. These are not new trends. They have been experienced before in many old British and American cities with the same result — population, decline, stagnation, and decay.

It is not surprising then that there is considerable interest in the issue of jobs and the Metro economy. The past several years have seen both the local and Metropolitan governments try to address the problem by establishing economic development committees. This in itself is a welcome departure from efforts to combat unemployment during the 1970's. For most of this time economists, governments and business occupied themselves with dismissing the problem of unemployment as "not an economic issue". A variety of theories were developed to explain how unemployment was caused by the rapid growth of the youth and female labour force, increases in unemployment insurance benefits of the early 1970's, the mismatch between the supply and demand for skilled workers, or the lack of motivation of the contemporary worker. Such theory effectively laid the blame for unemployment on the unemployed themselves rather than on any characteristic of the employment system.

This lack of focus on the economy has not entirely come to an end. There are those who continue to express optimism about the future prospects of economic development and employment opportunities. The Ontario government seems content to sit tight and let the economic cards fall where they will. The only apparent function of public policy for the government of Ontario seems to be to allow the private sector as much possible room to manoeuvre. The fact that some of its manoeuvres have meant plant closures and relocation south of the border or into other countries has not moved the Ontario government to consider an economic strategy or plan.

Nor has the federal government developed an adequate analysis of unemployment. Economic problems there are, but these are largely to do with inflation. Recent employment policy proposals of the federal government call for a reduction of unemployment insurance benefits to the unemployed and plans to facilitate the relocation of unemployed workers in the east to growth centres in the west. High interest rate policy is explicitly designed to create unemployment by curbing economic initiatives and, therefore, employment opportunities.

It is safe to say that the economics profession as a whole has not done an effective job in understanding and charting a way out of our current economic difficulties. The Keynesian offer of full employment at stable prices with a constantly rising standard of living has been discredited. It is no longer possible for governments simply to manipulate fiscal and monetary levers to achieve their economic objectives. Monetarism is offering a simple solution to the problem; high interest rates to curb the growth of the money supply, the reduction of government spending to get governments out of capital markets, and numerous tax concessions to industry and the rich in order that they may re-invest their capital in productive enterprises. If the monetarist solution does restore the vitality of capitalism, it will only do so at such a social cost as to make it an undesirable option. Capitalism is a system that produces considerable wealth effectively. It is less well known for its ability to produce social equality and well-being. In any case the monetarist view of the world seems rooted more in romantic 19th century notions of the free market than in its actual present day reality.

The post-Keynesianism and radical economic theories are rooted in a more realistic assessment of the dynamics of the modern market economy; multi-national corporate power, administered prices, marketing boards, government intervention and large unions. There is no "free market" as conventional economists would like to believe and government intervention is not only essential but desirable to

achieve social and economic objectives. Direct government investment particularly in key sectors of the economy is required as part of an overall strategic economic plan. Post-Keynesians and radical economists would disagree however on the extent of intervention required and for what purpose the economic plan is developed.

At the municipal level, the concern for economic development stems not so much out of a concern for the effects of unemployment and a deteriorating job structure but rather from the concern for a loss in the industrial assessment base. Economic analysis is limited, and where it does occur it mostly assumes that present economic trends are inevitable. The result is that most municipal governments, fearing the loss of industry, fall into classic boosterism. They promote the city as a worthy place for new industry to locate and then attempt to provide as much assistance to industry as they can in order to secure developments that might otherwise locate elsewhere.

To be fair, municipalities do not have much power when it comes to economic policy. But this lack of power has been too often used by municipalities to veil a desire to maintain the status quo. Most municipal politicians do not view the problem as a crisis. To do so would require acknowledging that something has gone fundamentally wrong with the system that has precipitated the crisis. This is an impossible conclusion for it requires believing that systemic change has to occur.

The series of papers presented at the Jobs and the Metro Economy conference do not provide us with a clear path through the economic mazes before us. Neither do they provide a consensus on basic issues or on the nature or the extent of the problem. They do, however, provide insight into the various schools of thought on this most critical issue of the day. And they provide us with a clearer idea of how various actors in the debate stand with respect to the job problem. Most of all they do give us a clear sense that the solution to any problem labelled "economic" will ultimately have to be resolved at the level of politics.

Finally, the papers suggest, quite correctly, that the essential political question of the day remains largely an ideological one; what is the appropriate role of the public sector in economic development policy at any level of government, federal, provincial or municipal?

Leon Muszynski
Program Director
Social Planning Council of Metropolitan Toronto

Notes

1. Statistics Canada, *The Labour Force*, Cat. 71-001, Ottawa, May 1981, p. 73. CMA Toronto encompasses all of Metropolitan Toronto and the immediate ex-urban areas such as Oakville and Stouffville.
2. Social Planning Council of Metropolitan Toronto, "Unemployment in Toronto — Hidden and Real", *Working Papers for Full Employment*, Working Paper No. 1, Toronto, 1980.
3. *Ibid.*
4. Statistics Canada, *Employment Earnings and Hours*, Cat. 72-001, Dec. 1974-Dec. 1980.
5. *Ibid.*
6. *Ibid.*
7. Statistics Canada, *Monthly Labour Force Survey*, Cat. 71-001, Dec. 1979-May 1981.

Roundtable

David Crane

There is no job crisis in Metro (go to Windsor or St. Catharines if you want to see a city with a job crisis) but there are some real problems. There is hidden unemployment that affects a lot of young people and also older workers; people who have, in effect, given up looking for jobs and who don't show up in the unemployment statistics. There is also too much under-employment where people who've been given good education and taught specialized skills find they can't get jobs that use their education and skills and so they end up doing jobs that are less productive than what they could do; this means they're earning less money than they might otherwise make and society is getting less benefit for the money it has invested in their education.

But the more important point is that the 1980's, as we all know, is going to be a period of enormous change and adjustment and it's going to take all of our ingenuity, co-operation, effort and imagination to ensure the preservation and enhancement of Metro's position as one of the most exciting and humane cities in North America. In the light of that we should be focussing in on the direction in which we should be going — the kind of policies we need to be looking at to ensure the future well-being of our community, so that we can maintain the kind of city we enjoy and even improve it further. But we should also keep Metro's situation in perspective. This is a dynamic and fortunate community in many respects; there are a great many advantages and strengths and what we really should be thinking about is building on those strengths.

I'd like to just offer very quickly some perspectives on which to look at this. First of all, we are starting from a position of strength. It's true the world around us is changing and this is going to force a lot of changes on us. There is more economic activity shifting to western Canada. There is new industrial competition from rich and poor countries around the world. Automation and technological change, micro-electronics and the chip are all going to present new opportunities, but also new problems. Our trade barriers are coming down. We have to adjust to higher oil prices. All of these changes create challenges, problems and opportunities for which we have to plan. So there are a lot of things out there that are going to affect us.

But we also have to bear in mind that Metro has great resources in its size, the varied and specialized skills of people, its institutions and a way of life that is the envy of people in many other parts of the world. So we should not necessarily be frightened of change. I think no other city in Canada, has, to the extent we have, this enormous critical mass of highly specialized skills and institutions which can all feed off and trade off one another.

Second, keeping our perspective, we shouldn't be frightened every time a plant shuts down, or a business fails. This is inevitable in a growing or changing economy — the world doesn't stand still. Our concern should be to ensure that we have the kind of economy that's generating new jobs and industries to replace dying ones. Based on past experience, if we do that, the new jobs will make better use of education and pay higher wages than many of the jobs we may lose. And Metro should lobby Queen's Park to make sure that workers have the severance pay rights, pension rights and portability and other necessary assistance to encourage mobility, retraining and the movement from weak to strong industries.

Third, we've got to recognize that, in spite of all the attention to oil in the West and copper in the North and other such types of wealth, people and peoples' skills, energies and imagination are a much more important

resource than natural resources. It is knowledge and know-how, skills and imagination that create most of our jobs today. The experience of Japan and West Germany shows that. The growth of companies such as IBM or Northern Telecom or De Havilland all show that. This means that any economic development strategy has got to put a great deal of emphasis on education, skills training, research and development, and job mobility. That's why it is no time to be cutting back on our educational institutions. These are investments in our future economy and our future employment. We should be strengthening our universities, community colleges, technical schools and our general school system.

Fourth, and related to this, we should get rid of our reservations about service sector jobs and the shift from manufacturing to service jobs. The service sector is at the forefront of change and economic growth — financial services, communications, broadcasting, engineering, design, education, computer software and systems, scientific research in biotechnology and the like, tourism, health and so forth. These industries provide many of our best-paying jobs and make good use of our educational investment. I think most secretaries are happier working as secretaries in the downtown core than they would be as lower-paid government workers in a Spadina Avenue factory. A waiter at the Royal York's Imperial Room is probably better-off and enjoys his job more than if he were working in a noisy, struggling, small manufacturing plant. Metro needs a manufacturing sector and it has one. But my point is that if the main growth in jobs in the future comes from the service sector, that is not necessarily a bad thing, provided it is a highly-skilled service sector based on opportunities in the rest of Canada and in other parts of the world. So let's not automatically downgrade service sector jobs as second rate.

Fifth, we should not be alarmed by the growth of western Canada. That growth is going to add to Canada's overall wealth and some of that wealth is going to end up contributing to jobs and opportunities in this community. We would only need to be concerned if the western provinces undermined the idea of a Canadian Common Market and the free movement of goods, people, services and so forth. But there's not a great deal of evidence that that is happening, at least so far. It's true we might have a problem if Alberta used its corporate tax system to try to pull head offices and industries of the future away from other parts of Canada to Alberta, but again there is no evidence of that happening yet. We will lose some head offices to western Canada; that's inevitable. But we can't complain too much — we took quite a few head offices from Montreal, especially during the 1960s and 1970s.

Another point that has to be emphasized is that when you're looking at economic strategy in Toronto, you've got to recognize how important it is to hold down costs. Industries in the Toronto area today are competing with industries all over the world. They're competing in terms of the cost of their product which means they're competing in terms of wage rates and tax rates and all these kinds of things. That has to be borne very much in mind. And this applies not just to federal and provincial policies, but also to municipal policies. If our municipal politicians delay the approval of projects, or make it tough for new factories to have access for their trucks, or other little kinds of things, they make it much harder for our industry to survive because they add to the costs of doing business.

The seventh point is that we also have to face up to the fact, in designing an economy strategy, that we face some tough fiscal policy issues. Our need to be competitive puts some real constraints on the use of the tax system to raise additional money and yet there is a large list of public needs to be met, most of them legitimate, and some difficult choices are going to have to be made in the years ahead. Yet it's also vital that Toronto maintain its high standard of existing services, things that already give the community a good reputation such as clean streets, safe streets, regular garbage pickups, a well-maintained and good looking city. That's going to cost more and more money in the future.

Here's one little example of how the tax system imposes a constraint. This is a tax that not many people pay attention to: it's called the capital tax and it's imposed on financial institutions. The banking industry at the present time is upset because the capital tax rate in Ontario is a lot higher than it is in Alberta. And so you've got all of these new foreign banks coming in and looking at where they should put their Canadian head offices. Some of them are giving more consideration than they might otherwise do to Calgary because they could end up paying a lower tax there. Instead of having a head office in Toronto and a Branch in Calgary, some of them are thinking of doing it the other way round.

The eighth point I want to make is we've got to look at our institutions, and one of the most important is the Metropolitan system of government. Metro is the result of great leadership by a number of visionary people, principally Fred Gardiner and Leslie Frost, who several

decades ago saw the needs of this community and how its government structure had to be organized to accommodate regional planning and servicing for the whole metropolitan area. With great political courage they made important changes that many people opposed. Today we face the same kinds of needs to co-ordinate and work together at the economic development level, and the same need for courageous and visionary political leadership. If we want to have a more effective metropolitan system of government we have to have direct election to Metropolitan Council. We need people running for Metro Council who are concerned with the broad economic and planning issues of this community. The present system does not give us that. Many of us when we go to vote aren't sure among municipal candidates we're electing which one's going to end up on local council and which one's on Metro. We have no direct accountability. The alderman who happens to prevent a high-rise apartment from coming into your neighbourhood may be the one who gets the most votes and ends up on Metro Council, having to deal with far more complicated issues. We have to have direct elections and I'd also make the point that in a democracy there's another reason as well. That is that there should be direct accountability between the elected politician and the voter. We don't have that with our present system and it seems unlikely that we'll get it, given the narrow, short-sighted and cowardly position of both provincial and municipal politicians. We need people with the ability that Gardiner and Frost possessed to see future needs and to make the changes necessary to deal with them. We should have people running for municipal office who are concerned with the broad economic issues of the Greater Metropolitan area and a political system that forces them to spell out their platforms and gives us the democratic right to vote for them directly.

My next point is that while Bill Davis' BILD (Board of Industrial Leadership and Development) program does not represent a comprehensive, economic strategy, the Davis government should be getting on with those parts that do make sense. These include the high technology and R & D investments, biotechnology, the electrification of the Go-train system and so forth. My fear is that Davis, having gotten his majority, is going to become pre-occupied or tantalized by the idea of running for the federal Conservative Party leadership and will spend a lot of time fantasizing about that, instead of looking after the immediate and urgent economic needs of this province. It would be a mistake for him to enter federal politics but by thinking a great deal about it he may waste the first year of this majority which he's been seeking for so long. What happens at Queen's Park is of great importance to Metro, though you cannot always tell this based on the performance of all three parties in the Legislature.

I should also say that at the Metro level there is an urgent need for Metro politicians to get their act together. I think it's telling that only one Metro politician could find a way of being here tonight. They all had excuses. It shows that there's still a lot of work to be done on our local politicians to make them realize the significance and importance of economic issues in this community. At the same time the Metro politicians have to decide what their priorities are. There's been too much talking out of both sides of their mouths. On the one hand, they're all willing to acknowledge that there is an economic problem that has to be dealt with. They then turn around and refuse to adopt policies that help improve the economic climate by which I mean widening roads, dealing with parking problems, speeding up projects that should be built. They too often try to have it both ways. If you want a strong Metro-wide economy, then you have to consider ways to make the transportation and roads systems more efficient, reduce red tape, hold down costs. This is much more important than the alphabet soup of gimmicky programs that politicians are so fond of.

One last point, in talking about notes of realism that have to be introduced: Rent controls and the availability of housing for all income groups in the city are going to become a much more serious issue over the next few years. We face a serious problem if we have to adopt the same price structure as people in Calgary and Vancouver have to adopt, when our wages are going to be lagging behind those communities. We don't see enough attention at either the provincial or municipal level to these problems. The politicians are quick to jump on the soap box and say they want rent controls forever, but that is not solving the rental housing problem and in fact, I don't see how it can help but make it worse in the years ahead. One of the difficult issues that our politicians are going to have to face up to is how to phase out rent controls in the next few years in a non-disruptive way, and it seems to me that that deserves a lot of serious discussion. Yet anyone who even thinks out loud in public on this issue is immediately denounced. This, to me, is dishonest, unless the majority of our municipal politicians and all three parties in the legislative form perrnanent rent controls. Have any of them studied the implications of permanent rent controls?

Our failure to deal with the housing situation in Toronto will have all kinds of ramifications. We cannot go on

widening the rent gap between old buildings and new buildings; we have to come to grips with this and let's hope that in the months ahead that we can get the politicians at both the provincial and municipal levels to deal seriously and honestly with this issue, instead of telling people just what they want to hear for short-term political gain.

Richard Johnston

I think it is fair to say that at the moment there is no employment crisis. But it depends on how you want to define crisis. Are we at the point now, like Windsor, where you have twenty thousand people unemployed out of a population of two hundred thousand people, with all the massive ramifications that result? Well, no we're not. Do we have some of the same kinds of difficulties that Windsor has, in microcosm? My answer is yes, we do.

If you live in Scarborough West and there are actually several people here on the panel, besides myself, who do, you have to reflect that we do have an economic problem and a job problem in my riding. In the last year and a half, I've had shutdowns or major plant closures and 'runaways' which have affected over a thousand families in one riding in Metropolitan Toronto. Now that's not a crisis. If it were I suppose this place would be filled tonight. It's not a crisis for you and it's not a crisis for me. But it certainly is for those 1,000 families.

The trends in government of not dealing with shutdowns, of not dealing with the branch plant economy we endure, is something which we're going to have to change pretty soon. If we don't, we're going to be in serious trouble. There must be some kind of a crisis, some kind of a problem out there or why else would the Metro Social Planning Council decide that this is an important issue and make representations to the Legislature and other bodies? Why is it that the City of Toronto, the Borough of Scarborough, other local councils and Metropolitan Toronto Council have all decided that we've got to have some kind of an employment strategy, some kind of a development strategy on an ongoing basis? They see, I think, as clearly as the rest of us that there is some kind of a difficulty.

What they have yet to do is come up with such a strategy. At the provincial level this would mean taking over control of our branch plant economy. I don't want to get into a statistical war. I don't want to say that having 78,000 people unemployed in February of '81 is or is not a real figure; but it is a figure that we should be concerned about. It's like the old argument about the disappearing farmland. When we got into that debate in 1975 we were arguing that twenty-six acres of farmland were disappearing every hour. Conservatives came back and argued that it wasn't twenty-six, it was more like sixteen, and then we'd battle over whose statistics were accurate. All the while everybody who drove through the Niagara peach belt knew that land was disappearing. Anybody who knew that Pickering Airport was being planned, knew that agricultural land was disappearing there. I think the same thing is clear here. We know there's a job problem and if the unemployment statistics don't reflect it at the moment, the concern by interested bodies and elected people in Metro certainly does.

David Crane mentioned the whole problem of hidden unemployment. I don't think that can be under-estimated. The number of women, the number of older people and the number of young people who are not on any of the official unemployment roles now because they can't find work is a problem here in Metro and elsewhere. What do we do about it?

The answer that you hear everywhere, the buzz word that you hear everywhere, is that one must have an industrial strategy. And now it would seem that every political party has one, Metro Toronto has one, and everybody else has an industrial strategy. Somehow this has neutralized the political issue by presuming we all

agree. No one discusses what you actually do in terms of economic planning to make sure that people aren't hard hit by unemployment.

I think there are two basic principles that have to be involved in any economic or industrial strategy. They are not necessarily included in the economic strategies that you've heard about in the last campaign, from any of the parties, and perhaps are often not looked upon as basic premises. One of the things that you must overcome is the strange division between the idea of industrial development and job creation on the one hand and social services on the other, with no connection between the two. According to this view economic problems are not social problems, and social problems are not economic problems and you sort of have to cut back on government spending and social services if you're going to be able to put more money into investment in the private sector to develop industry. I have a wonderful quote here from past Minister Auld talking to the Mining Association about a year or two ago, which I think sums up this whole concept of what I consider to be a false dichotomy. It says:

> "The changes necessary to bring about a massive revival of the mineral sector that rests in any way within the government's power to control, be made only when the government receives the unmistakable message that the public wants it to reduce its role in the economy and to lighten the burden imposed on the private sector producers.
>
> Let's not disguise the issue, it has to be perceived that such a message would constitute a conscious retreat from previous demands in areas of health, education, environment, regional and class equalities, inequalities and the like."

That's essentially the Ronald Reagan position in the States, that you rebuild the economy on the backs of the poor, that you handle the social problem of your economy in the long-term by stepping on the poor people and those who are dis-enfranchised in our society, today. Thus, you have this incredible situation where in the middle of a provincial election campaign there is a headline in the Toronto Star which tells you that the gap between the rich and poor in our society is growing while at the same time we have this move in North America politics to an idea that you should increase that discrepancy for the short-term so that in the long run these people are going to be aided.

It is my view that you cannot separate out the need for comprehensive social services, the need for preventive health care, and the need for day care from basic economic issues. Day care is not a welfare issue, day care is an economic issue. If it costs a family so much to own a home that both people have to work and they wish to have children, then they've got to have some place to put their children. It's not an issue of how many subsidized spaces there should be. It's just a basic fact of our economic life today that if we want to have the things that we generally regard as basic rights for people in our society, like a home and family, then you have to have day care. So therefore you can't talk about cutbacks in day care at the same time as women are trying to work in our society. It's one of those false dichotomies and it's one of the things I would hope that we might discuss tonight.

The other essential element to an industrial strategy in my view is that you can't plan something that you don't control. One of the problems of some of the suggestions that are brought forward at the municipal level, including the report by Chairman Godfrey which I have with me tonight and which is a good report with some good suggestions at the local level, is that the more you look at the recommendations, the more you understand that the municipal level does not have the power to actually do much more than recommend, suggest, or act as a ginger group for the provincial and federal governments. It cannot really control the economy in Metropolitan Toronto. It just does not have the power or authority.

I would argue that because of the way we've built up our economy in the last twenty-five or thirty years based on a branch plant foundation, dependent on foreign investment, the provincial governments and the federal government are not able to control it either. That reflects a lack of political will. If youreally want to talk about economic change; if you really want to talk about making sure we move to goals like full employment, an objective we've talked about since 1945 while accepting 6% or 7% unemployment as the everyday norm; if you really want those goals, then you've got to take control of the economy and that means more government involvement. It's not anything that my party should even think about backing away from. It doesn't mean that government should buy out and control everything, but it does mean that it should be entering joint ventures. It does mean that in the food industry, for instance, government should not let a multi-national like Reynolds close down our food processing industry, which is what we have had happen in the last ten years, in this province. There's got to be government involvement.

Let's look at a specific example — plant closures. David Crane said that we have to look to the inevitability of plant closures, and I think that's in part true. But today in Ontario, we just blithely accept any plant closure. We just allow any plant to close, any time. We don't have any view of the social responsibility of the private sector.

A perfect example of this laissez-faire attitude is the SKF Swedish ball-bearing plant, in my riding, which will be closing this November, unless it is stopped by government. A plant which for some twenty years operated as a manufacturing plant in my riding, has, in the last six years, systematically reduced the amount of manufacturing that it's been doing and has been importing replacement goods.

It should be emphasized that these are not new goods but replacements. For instance, the company makes ball-bearings and they have a series of ball-bearings called the sixty-two hundred series which they were manufacturing in quantities of approximately five hundred thousand units per year in Scarborough in 1975 and selling them in Canada. They're still selling five hundred thousand units per year, but they're all imported from the United States. They're not *made* in Ontario — they're *packaged* in Ontario. They are imported now in two parts, the ball-bearing and a little seal, and all that our workers in the Scarborough plant do is grease the ball-bearing, slap the seal on it and put it in a box which says SKF Canada. It's then sold in Canada as a Canadian-made good. Not only that, but to add insult to injury, that little shield that's put on the ball-bearing stamped "SKF Canada" is stamped "SKF Canada" in Philadelphia.

It's been a systematic decision to withdraw from that plant a line of products with a viable market, and they have replaced it with short-run kinds of production which are not profitable. SKF can then say that their manufacturing sector in Scarborough is not viable and they must withdraw. However, they increased their sales in Canada by 30% last year primarily with imported goods.

They're walking out of production while maintaining their market and leaving workers with specialties that will mean that they can't get other jobs. A man who polishes ball-bearings at 52 years of age and has a grade four education from Germany is not going to find another job. Being a ball-bearing polisher is not something which equips you to do any other job; there's no equivalent. That man has a mortgage; that man has four kids; and, he's being left without a job because we are not forcing that company to justify its closure. We have no severance pay guarantees. We have no portability of pensions in this province. We need those kind of guarantees, if we're going to have a real employment strategy. Unemployment is not statistics, it does have a human face and it must be understood that it does.

I agree that our education system is totally out of touch with our employment needs. When we are importing tool and die makers from outside this country at the same time as our young people are unable to get apprenticeship programmes and are unable to get work in our economy, something is just terribly wrong. There has to be a major integration of employment policies and education.

Apprenticeship programmes cannot be implemented by incentive, in my view. There must be a mandatory quota system. That is a policy distinction between the NDP and the other two parties.

What will be the role of the service sector in an employment strategy for Ontario? That's something I hope that other panelists will deal with. There's an article in today's paper which shows that the service sector, which we're going to depend so much upon in Toronto, is in fact going to be a sector of net job loss, especially for women, as automation takes hold in the next few years. The growth of the service sector is not going to be a solution to the unemployment situation in Toronto and we'd better not rely on it.

I'll end my remarks with a reference to the auto industry. It is a very important economic component in our society and people may wonder whether or not it's going to continue. My belief is that it will continue and the reason it will continue and prosper has nothing to do with its ability to change or its ability to produce small cars. It's because Ronald Reagan has fixed upon an old truth that the Democrats have known for a long time in the United States and that is, if you want to revive your economy, you revive your war machine. Chrysler is being maintained in order to make military parts. Chrysler will survive because of its military production in the next few years. The prospective boom in the auto industry in the next few years will be because of such military expenditures and not because of economic planning. The armament industry is one base that I don't think any country should ever use as a major economic tool for employment.

Duncan Allan

I thought perhaps I would focus a little closer on what I perceive to be the opportunities in this Metropolitan area and the dangers of going wrong. Frankly, I'm an eternal optimist. Metro does not have a job crisis of any proportions. We've got full employment, over full employment, almost by any definition. Good opportunities for jobs and good turnover in labour are the reality; indeed, pressures are evident at the margin in many trades. Good numbers of people are moving in and very few people that are family breadwinners are drawing unemployment insurance. You may be interested that while there are thirty thousand people drawing unemployment insurance in Metro, there are twenty thousand in Windsor. We're roughly ten times as big in terms of population base and we're more than ten times as large in terms of labour force.

Calgary, which is regarded as a booming economy, has a tight labour market and its unemployment rates closely approximate Metro's. I don't want to ignore the human face of those who are out of work, or those who are working below their skill levels. That number hasn't changed. You can have all the statistics you like, but people who sign something every week and go and draw a cheque on the basis of their past contributions are a pretty real number. The other thing you should know is that whenever the Unemployment Insurance administration tries to do a tightening-up operation, they pick Metro as the testing ground. They don't do it in Alberta or B.C. They take this particular Metropolitan area to try and catch cheaters or tighten up the system. So in a very fundamental way this is a healthy employment market. Metro has enjoyed relative success in creating jobs.

The unemployment rate isn't the only measure. Wally Majesky will tell you that we have a resurgence in building permits. Some of the construction activity that was unfortunately delayed or put off, or stalled for a number of years, is coming on stream; you can see it right here outside the St. Lawrence Centre. Those things are helpful, but the situation that we look to in the next eight or ten years in this Metropolitan area is going to be fundamentally and profoundly changed.

It's not so much a matter of service jobs, or manufacturing jobs. It's more likely a question of fewer office jobs due to micro-electronics. As well, people are moving and making a conscious choice where they live and where they work. Energy economics will influence that choice, and the transportation system that this city enjoys is extending choice. I live in Scarborough and the Toronto Transit Commission has just extended the subway line, so there will be major living complexes much further away from the downtown. Despite Richard Johnston's concern about SKF, Scarborough had all the population growth in the Metropolitan area in the last year. In case anybody doesn't know, every other borough stayed flat or lost people. Scarborough will continue to have all of the growth until it's filled. Growth will then deflect, as it already has, up through Markham into Durham and out Mississauga way.

The city itself as the hub or as the centre of all that activity doesn't lose by that extension or that growth. This city feeds on that kind of activity. Metro will continue to be the hub for that hinterland of activity around us, whether a number of plants shift their offices into the Markham area, up into York, or they follow Highway 50 or they move into Mississauga. Of the construction companies, the banks, the servicing, and the decision-makers, many will be retained here and the city will enjoy spin-off benefits.

One thing that I would suggest that this Metropolitan area has to look out for, frankly, is something to avoid rather than to plan for. The way I'd put it is "don't shoot yourself in the foot". There's a tremendous danger that the City of Toronto will have a plan, Metro will have a plan, the Toronto Area Industrial Board, (which has been serving this region quite well in fact, for many years), will have a plan. Everybody will have a plan and we'll create some employment alright, for planners. We won't create a lot for people. That is the danger; it's always the danger when you jump on a hobby horse and ride it pell-mell, and forget there are a lot of other people out there, who have already rediscovered the wheel. I suspect that keeping the integrated, regional-wide view is fundamental to the health of this city.

There shouldn't be any more concern about our young people going to Alberta to seek job opportunities than there should be concern about Mississauga growing or Markham growing. That is what makes a dynamic centre. Look at the re-vitalization of New York which is succeeding today despite some early flights to the suburbs, and exits to the sun-belt. We are a "critical mass". Metro Toronto is big enough and diversified enough that we shouldn't be looking at the negative side. We should be looking at the positive side. And I would hope that in Metro's planning work, and the City of Toronto's thinking about planning, they remember we do have a Board of Trade whose region-wide approach has worked well. I would plead that Toronto doesn't walk away from something that has proven pretty damn effective and try to go down to some micro form of planning.

It's a little like the City of Toronto getting into the housing business at a time when many people realize that the controls on what makes housing work really are provincial and federal. They're far beyond the capability of any jurisdiction at the municipal level.

The second point that I think that I'd like to dwell on is the positive side, in terms of not just the job numbers themselves, but the composition of the labour force: the kind of people that are here in this Metropolitan area that make the city tick. By and large, they are motivated, mobile, fairly young. We have an aging population in Ontario. I suspect you'll find, however, when you look at the demographics, that there is not nearly as much of an aging problem in Metropolitan Toronto. We tend to be the first place that people from offshore come to when they look for a new country to make their home. They tend to bring younger people, as well as some older dependents with them. But the age structure of Metropolitan Toronto is probably on the young side, compared to the rest of the province and the rest of the country and it will remain so. That's very, very healthy, because it gives greater choices to employers. It creates a certain vitality and lifestyle and considerable purchasing clout. Young people below forty years of age buy many of the things that keep our factories running. They buy the stereo sets, they buy the clothes, they try out the new things, and they buy the cars that are very important. Older people that are established, that have mortgages, that have accumulated many of the things they're going to need tend to go on vacations, and do other things with their money. But they don't dispose of nearly as much of their income. I think that's very healthy for Metro. It's one of the things that makes this city vibrant, whether you realize it or not.

Beyond those two, we happen to have a series of institutions which have worked well. The Metropolitan form of government is one. Scarborough does its own thing, fights a little bit. Etobicoke does its thing as does the City of Toronto. But when the major choices have to be made, except for a small hiatus period, I believe that by and large the area municipalities working within the Metro context have made wise decisions. We have a sound institutional framework for the growth and development of the city. It shows in the transportation system; in the way we go about our planning; and it shows in the balanced development that's taking place.

Now we have some big opportunities along the harbour front; in the redevelopment of the port; the extension of our transportation systems; and the widening of our individual housing choices. I'm not going to enter the debate on rent controls, but as an economist, I personally suspect that economics — the market — will dictate the ultimate policy. Any market that I've ever seen over a long period ends up with choices reduced, supplies diminished and growth thwarted by an artificial price control. That's called rent control. That's the classic definition of how to make sure that we don't maintain the kind of housing supply that has been available in the past in this Metropolitan area. This is the only area of the province for which rent control really has any bearing. So I suspect the market itself will dictate a solution and it has to mean some relaxation in an artificial two-price system that can't be sustained.

One other point has to do with the way governments evolve strategies and lay directions on people. There is no gradiose industrial strategy in this province. We have acronyms like BILD; we have directions; we have value judgments, and so on. But one of the things that seems to have worked reasonably well for the people of Ontario is the old trial-and-error way of allowing somebody to try this and somebody else to try that, seeing where it works out well and then maybe emulating those things that work best. Individual choices or collective choices based on proven performance, not theories, have worked well in this province. I distrust those that promote a grand planning or development strategy based on the service industry, micro-electronics, R & D or any of those things. If you stay with the common sense approach — doing what we do th best, letting different people try different things, rewarding success both at the corporate and the individual level, ensuring that the choices are there — then we're going to do pretty well.

Ontario, frankly, is the envy of every other province, despite the fact that there has been some debate about our future. There was some debate about being tenth and last, or sixth, or first, and nowhere in the last election campaign. Frankly, if you travel across the country, everybody still takes Ontario as the norm or the place they'd like to be, or the position they would like to attain. I don't think we're losing anything, very frankly. The latest economic statistics have just come out. Trade growth, job growth, output growth all look a great deal healthier than a lot of the economists or the soothsayers were suspecting as recently as three months ago.

And that's been the tradition. We adjust and new jobs come up, even though some industries and some plants close. There's a cycle in the construction trades and we go on. With its healthy and diversified economy, this city and the Metropolitan area is the decision core, and the lifestyle core for the Province as it should be, because it's a great, international, metropolitan area. It breeds on itself, and I don't think anybody looking at the future of the city, should do anything except look ahead positively, and make sure we don't shoot ourselves in the foot.

Anne Golden

Calvin Coolidge, who had a penchant for oversimplifying the obvious, wrote in 1930:

> "When a great many people are unable to find work, unemployment results."

President Coolidge would surely have agreed with the view that a city of 2 million people with about 90,000 people out of work faces a serious job problem.

The unemployment problem is widespread and complex. As of January 1981, according to the Canada Employment and Immigration Commission, there were 321,000 Ontarians unemployed. About 90,000 of Ontario's unemployed live in the Toronto Area — almost equivalent to the total number of jobless in the four "economically depressed" Atlantic provinces combined according to Statistics Canada's January 1981 figures. Young people, under 24 years of age, are particularly hard hit — they represent almost half (44%) of Metro's unemployed. The truth is that the situation is even more serious than statistics indicate.

The Social Planning Council claims that the official unemployment figures under-estimate the number of jobless by about one-third. Not taken into account are the "hidden unemployed" in the labour force — those who for a variety of reasons are not maintaining an active job search.

Certain neighbourhoods in Toronto have particularly serious unemployment problems. In Regent Park the jobless rate among young people exceeds 26%, according to a recent City of Toronto report (Jan. 1980).

The problem will get worse before it gets better. Youth unemployment will continue to escalate in the next few years due to the "baby boom" with teenagers leaving school and entering the labour market. The number of women in the workforce has doubled over the past 25 years and will continue to increase as even more families become dependent upon two incomes. To make matters worse, economic forecasts predict a slowdown in the creation of new jobs due to the general decline in Ontario's economic growth.

This evening, I want to emphasize two points: first, that the unemployment problem is a complex one, involving at least four separate job-related issues; and second, that finding a cure to the problem will involve action on several different fronts.

The first issue of the unemployment problem is job creation. This is the traditional solution for unemployment that comes to mind. In the recent provincial election, the

Ontario Liberal Party devoted a great deal of attention — some say too much — to the issue of economic growth. We argued at length that Ontario needs a comprehensive strategy, a plan to strengthen our Canadian-owned manufacturing base, to start up new industries with our own people and money. We stressed that since small businesses generate 40% of Ontario jobs, aid to the small business sector should be the cornerstone of such an industrial strategy.

Undoubtedly, employment growth in Toronto will depend, to a large extent, on job creation in Ontario, and Canada as a whole. Metro and City planners are studying ways to create new jobs by encouraging existing industries to stay here and expand as well as luring new investment to the area. Local initiatives are important: but Metro's municipalities can only succeed in bolstering a lagging economy if Queen's Park and Ottawa develop effective policies to promote industrial growth.

Job creation — by means of government programs to create jobs directly or to provide incentives for job creation in the private sector — is only one area for action. Shortage of job opportunities is not the critical unemployment issue — especially given Metro's lack of population growth.

Job preservation is the second issue. Over half (52%) of the 321,000 unemployed Ontarians in January 1981 were out of work due to layoffs.

This issue of job preservation is not confined to the manufacturing sector. For example, in Metro Toronto enrolment in our elementary and secondary public schools is predicted to decline by about 25% from 1978 to 1983. We are facing a period when we need fewer schools and fewer teachers — a fact which has made job security a very sensitive issue for Metro's school boards, particularly in North York which has been hard hit by shrinking enrolment. The issues are fundamental: as enrolment falls, teachers want to protect themselves from haphazard and subjective firings; trustees representing the public, want to save unnecessary salaries and retain high calibre new teachers. Resulting tensions over salaries, pupil-teacher ratios, redundancy classes, severance allowances and staff reductions have created often bitter conflict between teachers and boards of education.

This type of unemployment problem will be solved only by job retraining in some cases and by more flexibility in the way we schedule education, work and leisure.

I predict that in the world of the future we shall see major changes in patterns of work. One response to continued high unemployment rates — which will remain high as technological advances create situations where economic growth will require less human labour — will be expanded worksharing policies. Indeed we may change the way life is now organized (an extended period of non-work/solid period of work/retirement) into a pattern where periods of work and leisure/education alternate throughout a person's lifetime.

Job distribution, the third issue, speaks to the major changes in work and family life that have occurred. Approximately 54% of women were in the labour force in 1980 — many of them mothers of young children. As a result, there has been a growing demand for more day care and new job-sharing arrangements. This issue has not as yet surfaced in Canada to the same extent as it has in the United States where pressures have grown in businesses to develop more flexible working arrangements and more part-time jobs, possibly through job-sharing.

Undoubtedly, it is only a question of time before this country experiences similar pressures. Another factor which cannot be overlooked is that, in the long term, as our population ages, we shall see increased pressure to eliminate compulsory retirement at age 65. Tomorrow's senior citizens will undoubtedly demand the right to remain productive. Job-sharing will become increasingly attractive in this connection also.

I really disagree quite strongly with Duncan Allan who has suggested in every area that we minimize, not over-emphasize these problems. We are aging in Ontario dramatically and we are aging in Metro dramatically. It is a serious problem. I think it's going to have an impact as we age by making increasingly attractive demands for job-sharing, work-sharing and more part-time work, for example.

Job preparation is perhaps the most important issue. The "job crisis" in Metro and Ontario is drastically affected by the mismatch between workers and available jobs. Former Treasurer Darcy McKeough once estimated that 75% of youth unemployment is the result of mismatching which occurs in our labour markets.

The most blatant evidence of this is the fact that in the midst of high unemployment, Ontario faces a serious shortage of skilled tradesmen. Throughout the 1970's Ontario continued to import thousands of skilled workers

from abroad while up to 300,000 Ontarians, almost half of them between the ages of 15 and 24 were unemployed.

Federal studies estimate that Ontario will have a severe shortage of skilled workers by 1985 — a predicted shortage of 35,000 in fact. Ontario's secondary schools have failed to provide the career counselling, labour market information or skills training needed to solve the problem.

Unquestionably, part of the solution to the job crisis is to be found in the area of education and job training, the elimination of the social bias against skilled training in our schools, and a revamped apprenticeship system.

During the recent campaign, the Liberals made a major proposal for creating a skilled workforce in Ontario. It included many recommendations for better co-ordination of manpower planning and training, a new apprenticeship incentive plan, and so forth.

One interesting idea — and an idea which could be applied in Metro on a pilot basis — was to create a *work-educational council* — which would bring together employers, educators, union and non-union worker spokesmen, and provincial staff. These advisory councils would plan "work experience" and "co-operative education" programs intended to ease the transition from school to work; make recommendations respecting high school curricula; and secure industrial and union co-operation for new initiatives in the training of skilled workers.

The issue of job preparation I believe, is crucial to Metro Toronto. Ontario's outmigration statistics — the fact that 30,000 Ontarians, many of them young people, left Ontario for the West last year — stress the urgency of finding solutions to our youth unemployment problems. Obviously, the solution will not be easily found. Job creation programs, particularly government unemployment programs are expensive and, while these can be useful for short-term and specific problems, they are not the long-term cure for the vast majority of jobless.

Improved job preparation in its broadest sense — in high schools and community colleges, through improved labour market policies, vastly expanded apprenticeship programs, training programs for out-of-school youth, including dropouts and low skilled — is the key for making Metro once again a city of opportunity for young people.

In the areas of job preservation and distribution, I believe that we can set an example in Metro Toronto if governments at both the provincial and municipal levels take innovative steps towards increased work-sharing.

To sum up, through improved job training and work-sharing, considerable progress could be made toward significantly reducing unemployment both in Metro Toronto and in Ontario generally.

Ron Hosking

What I intend to convey is an industrial perspective on this job crisis, if there is a crisis, in the City of Toronto. Metro Toronto is not isolated from the economic well-being of Canada as a whole or of Ontario. So when we're discussing the potential of economic growth in Toronto what we are really faced with is competition and lobbying against provinces and municipalities for a bigger piece of the industrial pie. Most manufacturing firms basically have a wide choice of locations in which to setup or relocate their plants, and one of the biggest single factors in their decision is the cost of starting these operations. I believe that the City of Toronto is at a distinct disadvantage when it comes to making this choice and this has been so for a very long time.

When you're shopping for food, clothing, furniture and

appliances, you are interested in quality at the best price. Very seldom are you prepared to pay a premium because the product was manufactured in Toronto as opposed to Burlington, Georgetown or Cambridge. Yet some industries are faced with higher costs associated with locating in Toronto as opposed to smaller communities. Even more significant is the lower cost to the consumer of imports manufactured in the United States, the Orient and Europe, where generally the manufacturers have greater economies of scale. So to recap, companies must try to produce their products and get them to market as economically and efficiently as possible, or at least as well as their competition. The natural tendency then is for industries to minimize their location costs.

Toronto has the distinct advantage of having 30% of the entire Canadian market within a hundred mile radius of City Hall. It is connected by rail, ship, air and road to all major centres of commerce in the world and yet while Toronto was never considered a one-industry town, such as Windsor or Oshawa might be, as recently as 1974 it appeared to be on the road to becoming a "no-industry" town. Why? Well, the economy of Toronto is so diversely tied to commerce and government and institutional services that the loss of industry was almost unnoticed by the general public. There was definitely an anti-industry sentiment on City Council in the 60's and early 70's. The construction of high-rise office towers and the promotion of tourism seemed to be a more popular past-time for the City Fathers. Between 1950 and 1971 there was a loss of approximately 75,000 manufacturing jobs in the City of Toronto. Many firms moved to the suburbs or surrounding municipalities where there was a more attractive political climate, room for expansion, and more modern facilities. This loss of employment for skilled and unskilled workers has had a detrimental effect on many of the working class residential neighbourhoods.

In 1976 there was a change of outlook on City Council and Naish McHugh was hired to fill the newly-created position of Industrial Development Officer. His responsibilities were to act as a sort of an Ombudsman for industry and to help companies plough through the jungle of red tape to solve their problems. In 1979, Naish was instrumental in convincing the William Neilson Company not to move from their Gladstone Avenue location to Georgetown. This saved hundreds of jobs for a very localized community.

City Council also set up three industrial co-ordinating committees composed of businessmen, city council members and officials from various city departments. These committees meet on a regular monthly basis to discuss specific problems for businesses or to participate in the formulation of new policies at City Hall. They do little to attract new industry, but at least they lighten the frustrations facing existing businesses. Nor are other governments helping the situation of manufacturers in Toronto. The Ontario government's research indicates that the provincial trend is towards the growth of resource-based industries and risky, high technological ventures. The recently announced BILD (Board of Industrial Leadership and Development) program provides grants and incentives for such potential development projects. In addition, the federal government is taking out large advertisements in the newspapers to encourage companies to locate in DREE (Department of Regional Economic Expansion) regions. They place large newspaper ads displaying the headline; "Invest in one of Canada's very important development areas and get a 50% tax credit for starters." Furthermore various municipalities not far from Metro offer business and property tax incentives to locate within their boundaries.

What does Toronto have to counter these enticements? They have changed the zoning in the City of Toronto to create new land use regulations especially tailored to industry. However, I believe the problem is too complex to be resolved by changing the permissible use of a property.

In February 1978 the City of Toronto Planning Board issued an industrial policy which identified steps to be taken to retain and revitalize industry in the city. The policy was based on the following principles:

> "the industrial policy recognizes the distinction between firms that prefer or require a city location and those that do not. Those that do not will continue to relocate to suburban and rural areas because these areas offer advantages such as large tracts of land and modern, single storey facilities. The policy to retain industry is not directed at these firms. On the other hand, there are firms which prefer, or require a city location. These types of firms form the basis for a city policy to retain industry."

Basically, they're saying if you have to be here, we'll let you stay.

I disagree with the idea that a distinction must be made between industry preferring cheap, central accommodation and industries which are able to afford better accommodation. You get what you pay for and the

city will suffer from new and unprofitable, transient industry which is just passing through on the way to a more pleasant working environment.

The policy went on to say that they want to consolidate all the industries into viable, industrial areas and any sites not meeting that criteria would gradually be converted to residential or commercial use. Not much of a future for anybody wanting to start up a business. I would have thought that the area south of Front Street, bordering the railway tracks and elevated expressways would have been a good area for industry; but the city decided that these should be totally residential and they forced all the industries in the area to relocate.

A healthy manufacturing base in the City of Toronto requires a well-planned, well-financed total commitment from the city to undertake major revitalization programs in the manufacturing sector. If the turn-of-the-century buildings, for instance, are not brought up to standard, in ten or twenty years, derelict, abandoned buildings may blight the surrounding neighbourhoods. The former industrial tenants will have moved on to another town. Where will the catalyst to renovate or restore these buildings come from? I think that the catalyst must be a combination of public and private funds. A formal proposal of redevelopment from the city and a request for federal and provincial assistance should be directed to the governments in Ottawa and Queen's Park. By learning of the successes of other cities, such as the revitalization of the industrial areas of Chicago and Philadelphia, and the restoration of light industry in communities such as Niagara-on-the-Lake, we would encourage the restoration of many old buildings in the "Town of York". You may immediately see new industrial premises spring up adjacent to these renovated buildings. Make the city an enjoyable place to work and industry will be naturally attracted to it. The labour force is here waiting for the industrial growth. It could be a place to work, live, play and shop.

The Southeast Area Industrial Co-ordinating Committee has identified some very specific services required to enhance and revitalize the decaying, industrial neighbourhoods. These services are pre-requisites to the establishment of permanent, industrial communities and could tip the scale in favour of locating in Toronto as opposed to elsewhere. Some of them are as follows:

(1) The improvements in water and sewer services and the relocation of hydro lines underground;

(2) Improved truck routes into the industrial zones, including better bridges and overpasses;

(3) Upgrading of laneways servicing the firms, including better lighting, snow removal, widening and repaving. This could improve the loading and unloading of goods for the businesses and prevent the trucks from blocking arterial roads;

(4) Improve streetscapes such as side walks, landscaping, lighting, boulevard maintenance and street cleaning. Let's be proud of our industrial streets too;

(5) Provision of day care facilities and health clinics;

(6) Increased parking facilities. Most established companies occupy land and buildings developed prior to the dependance on automobiles and trucks. There is basically no extra land surrounding these buildings to provide for the required parking;

(7) Higher priority for snow removal for industrial areas. Presently there are delays in the delivery of raw materials and the shipping of finished goods resulting in the disruption of entire production processes. Front Street is ploughed very nicely by the city from snow as far as Jarvis Street. Then when you get into the industrial areas snow just collects in the curb lanes and interferes with the high volume of truck traffic.

The City has provided many of these services in the sparkling commercial area surrounding Bay Street as that is a very high profile area. Now is the time for industry. Let's clean up our act on Front Street and on Eastern Avenue, Carlaw, Bathurst, and the Spadina area.

Now before you all become totally despondent over this picture of doom and gloom, there is really some light at the end of the tunnel. In 1979, the City and the Toronto Harbour Commissioners established the Port Industrial Development Task Force to prepare an industrial strategy for a vacant parcel of land in the port area. The site is at the foot of Leslie Street, south of Lakeshore Boulevard and runs west towards Cherry Street. This landfill project covers between 100 and 200 acres of prime, industrial land that could become a vibrant, cohesive community integrated and involved with the surrounding residential and recreational land uses. It is a very significant area because it could provide up to thirteen hundred new jobs and approximately $1,000,000 in realty tax revenue for the City. The focus of attention might spread widely from this development and become a catalyst for restoring the older buildings enabling them to become more productive and in turn stimulate further growth.

I don't believe that any significant economic growth within the industrial sector in the City of Toronto can be obtained without a rebirth of the old, industrial areas. Without the rebirth, the port area will merely attract existing industry from their present location and speed the decay. I hope that the light at the end of the tunnel is indeed not a train.

Wally Majesky

I am going to talk about the economic growth and development program that the Labour Council has developed for Metropolitan Toronto. There has never been a public opinion survey done in Canada that did not show unemployment as the number one or number two political issue. It is a problem that never seems to go away. The Labour Council of Metropolitan Toronto has traditionally taken a strong position in attempting to raise the issue publicly.

We in the labour movement are therefore gratified that official interest has finally been taken at the Metro level. We say "finally", because the problems that have given rise to Metro's interest in economic development are by no means new. Manufacturing employment has been dropping in Metro for many years. In the City of Toronto, it dropped from 133,000 in the mid-1950's to figures in the 80–90,000 range in the 1970's.

This belated concern is nonetheless timely, because the indications are that we are facing renewed pressure on employment in manufacturing. A survey of its affiliates in large industrial unions conducted by the Labour Council in the summer of 1980 indicated that about 20,000 union members alone have been laid off or put out of work by shutdowns in the past year.

This is not a short-term problem. The signs have been around for a long time and my remarks will indicate the basic pre-requisites that must be met for Labour Council participation in a Metro economic program on an on-going basis.

In the past ten years, a slowly-developing consensus has emerged that there are serious structural problems in the Canadian economy in general and in Canadian manufacturing industries in particular. Respected national institutions like the Science Council of Canada have analyzed the situation and come to the conclusion that our industrial structure is too weak today to serve as the basis for continued prosperity in the 1980's and 1990's.

In *"Uncertain Prospects, the Dilemma of Canadian Manufacturing"*, one of its earliest publications on the subject, the Science Council classified Canada as a semi-industrial country. Based on export-import performance and shares of manufacturing in total output, Canada fits in a category (with Australia and New Zealand) of relatively wealthy countries with limited manufacturing capacity.

The symptoms of this problem for Canada are not hard to find: inadequate expenditures on research and development; truncated manufacturing operations that concentrate on assembly rather than full production; manufacturing operations that are "Canadian outlets" rather than independent productive enterprises.

While there is a fairly broad consensus that there is a problem, there is less agreement on the causes, and even less on the solutions that must be pursued. That there is no agreement should not be surprising, because this is not a case of simple problem solving. The debate over this "dilemma of Canadian manufacturing" necessarily encompasses broader issues of public vs. private interests; public vs. private planning; public vs. private investment; public vs. private decision-making.

A policy for economic development in Metropolitan Toronto obviously cannot be expected on its own to solve the broader problems of the Canadian economy, nor

should the debate over solutions be expected to resolve the question of private vs. public economic decision making. However, we feel it is important to state the issues in this way as a context for the Labour Council position.

Flowing from an analysis of these broader issues several general principles underlie our view of the appropriate role for local government in economic development in Metro Toronto. For this reason we recommend that:

> The over-riding objective of metropolitan economic policy be to maintain full and adequate employment in the Metropolitan Toronto area and to ensure that Metropolitan Toronto makes the maximum possible contribution to the health of the Canadian economy as a whole.

The weakness in assessment growth seems to have been a major part of the impetus for an economic development strategy in Metro. While it is an important problem, it is not the reason for *our* interest in economic development. It is pointless for Metro to be trying to solve these financial problems on its own. They stem from Provincial government policies that force the financing of social services and education from property taxes. At the same time it is both futile and counter-productive for Metro to attempt to deal with these problems in the long term through cuts in levels of necessary public services. Cuts in services not only reduce employment directly, they also undermine the health of the community more generally. Accordingly, we recommend that:

> Metropolitan Toronto's financial problems be solved through action by the level of government whose policies have caused them — the Provincial Government.

Finally, from a general perspective, we see no prospect for a solution to Canada's broader economic problems without a significant expansion of the public role in the Canadian economy through planning and public investment. The experience of other countries indicates clearly that such an expansion is the only effective response to the power and influence of multinational corporate decision-makers. Consequently, we recommend that:

> Local government take a more active part, both directly and indirectly in the economic development of this community.

It would be easy to accept the trends now dominating Metro's economy and to play the traditional local planning role of facilitating those trends. Such an approach would emphasize our position as a financial and administrative centre and as a tourist attraction. While increased activity in both of these areas will be important for the future of Metro, manufacturing must take priority as a focus for public action.

We take this position for a number of reasons. First, all of the indications are that the critical need is to strengthen the manufacturing base. The 'crisis' in employment in Canada and in Metro is not in finance or tourism. Second, Metro as a large urban area with a diverse well-trained labour force, a wide range of available support services, strong communications links and a significant local market, has a critical role to play as an "economic incubator" fostering new manufacturing operations. Third, manufacturing jobs are good jobs for a community like Metro. They pay well. They tend to be stable. They add to the diversity of available employment opportunities. Finally, judging from the historical statistics on manufacturing employment in Metro, the need for intervention would seem to be greatest in the manufacturing sector. Therefore, we recommend that:

> Economic development policy in Metropolitan Toronto focus on strengthening and expanding the area's manufacturing employment base.

In setting out policies and programs that might be followed by local government in economic development, it is important to recognize both the constitutional, quasi-constitutional and practical limitations and the potential effectiveness of the approaches taken. It would be politically dishonest to set out grand schemes that do not fall within the jurisdiction of local government. It would be a waste of effort and money to establish programs, for the sake of doing something, that have no prospect of success. And it must be recognized that the financial capacity of local government further limits the scope for participation at this level.

The Labour Council's recommendations for economic development in Metro fall into four general categories: programs to retain and expand industrial employment; a proposal for direct municipal enterprise in appropriate areas; an advocacy program designed to increase Metro's political influence on economic issues; and a commitment to expand local services.

With regard to the retention and expansion of industrial

employment, our position is that Metro's employment policy should focus initially on existing industrial employers, dealing with layoffs, shutdowns, relocations and expansions of existing firms. There are a number of reasons why this should be the case.

First, the potential economic powers of local governments are such that they are probably suited to solving identifiable practical problems for identifiable employers as opposed to dealing with economic development in the abstract.

For example, a firm might be short of space, have problems concerning traffic congestion or need better transit connections for its workforce. It might be having difficulties with financing or simply need management consulting assistance. These kinds of problems can have a real impact on investment and relocation decisions.

Second, and perhaps just as important, the social cost of saving a job or creating a new job in an existing operation is likely to be lower than the cost of generating totally new employment. There is a significant "sunk cost" in an existing job. The individual who holds the job has an attachment to it; he or she has a home and community connections that may be based on it; and there are existing physical and soft services that have evolved to serve that specific workplace.

Third, there is a fairly well-defined role open to local government in this area. Although there are many institutions that are directed towards assisting industry, there is no single agency at the local level that can deal with local problems and act as a clearing-house for other forms of assistance. For these reasons we recommend:

The establishment of a Metropolitan Toronto Employment Services Agency — a kind of social service agency for jobs — with a mandate to:

— provide assistance in solving municipal government-related problems;
— provide or obtain financial and management counselling and consulting services;
— provide a focus for and co-ordinate approaches to other agencies and levels of government;
— facilitate the sale of closing operations to potential public, co-operative or private buyers;
— co-ordinate with educational institutions and employers to identify and alleviate local shortages of skilled labour; and
— co-ordinate with funding and operating agencies the selection and operation of community employment programs in Metro Toronto.

The nature and structure of the agency — its relationship to the political process in general, and its reporting relationship to Metro Council in particular — are extremely important.

In our view, this agency will be effective only if it has the "clout" that goes with being part of government, access to politicians who speak for a recognizable constituency and a relationship with the bureaucracy that will ensure that its practical experiences and insights will be taken into account in planning and program development. Therefore, we recommend:

That the agency report to Metro Council through the Department of Planning and Economic Development and a Metro Planning and Economic Development Committee; and
That it have an advisory board with limited powers, composed of exceptionally qualified outsiders.

The Labour Council is very concerned that in spite of the efforts of the Metropolitan Toronto Employment Services Agency, some companies will continue to layoff employees and shut down plants. Under current legislation there is no way to determine whether such layoffs and shutdowns are justified, either economically or socially. The Ontario Federation of Labour has urged the Ontario Government to introduce legislation that would require companies which lay off large numbers of employees or which shut down plants to undergo a "social audit" to justify their actions. Consistent with this position, we recommend:

That the Metro Council and the six municipal councils support the request of the Ontario Federation of Labour that the Ontario Government provide legislation for a "social audit" of any company which proposes to lay off a large number of employees or shut down a plant.

New firms and new activities. There is one critical difference between programs aimed at preserving and expanding existing industries and programs aimed at encouraging new industries. In the former case, there is a specific target for the program — a particular firm or group of firms. The exercise is essentially one of problem-solving. In the latter, the program target has to be more vaguely defined. There is no way to know in advance which firms

might be interested in locating in Metro Toronto.

Unless some focus is given to a program to attract new industries, there is a danger that it will become so generalized that it is little more than a sophisticated form of boosterism. That is unquestionably a trap. No matter how good it makes the promoters feel, there is little evidence that it has any effect. We would go so far as to recommend:

That there would be no mandate given to any agency of Metro Government to engage in generalized "boosterism" in any form.

Actions taken by Metro to attract new industry should be carefully considered and evaluated; specific in nature; and explicitly mandated at the political level.

It does not take a great deal of insight or imagination to determine that communications is an important industry in Metro Toronto and that the so-called "second industrial revolution" taking place in that industry makes it an important potential source of economic activity in the future.

Having reached the conclusion that the communications industry should be developed, the question becomes one of how best to do it. At the moment, what the industry in Metro Toronto, and in Canada generally, seems to need is a focus, both on the communications side and on the technological development/manufacturing side.

On the communications side, the new CBC headquarters building and the accompanying new facilities would be a significant boost to the industry.

On the manufacturing side, it is acknowledged that there is a critical gap in the industry in Canada between research and innovation, which has been fairly active, and manufacturing which has not. The Ontario Government should establish a crown corporation in Metro Toronto to develop and manufacture high-technology products either singly or through joint ventures. We recommend that:

Metro adopt as the top priorities in its dealings on economic matters with senior levels of government;

— the construction by the Federal Government of new facilities for the Canadian Broadcasting Corporation in Metropolitan Toronto; and
— the establishment of a crown corporation by the Province of Ontario in Metropolitan Toronto to develop and manufacture high technology products.

The development of new business is another area in which Metro should have an advantage. The fact that Metro is a large urban area at the centre of a large market and has an extensive and sophisticated infrastructure (both public and private) makes it an ideal "incubator" for small business.

The new Metro agency referred to above should be of particular assistance to small and medium-sized businesses. In addition, however, consideration should be given to the establishment of a program like the non-profit housing program for industrial sites. Even though the overall supply of industrial land in Metro Toronto is adequate, public land-banking and industrial land development should be part of an industrial development program. Industrial land assembly may be necessary to back up industrial zoning designations to keep prices at reasonable levels. This may be particularly important in areas designated for mixed use where the overwhelming economic pressure is to concentrate on commercial and residential uses. And while it may be true that industrial land in general is not scarce, specialized needs for space on location may not be capable of being met in the private market. An industrial land agency might decide, for example, to construct needed specialized industrial space itself for lease to new industrial tenants. Accordingly, we recommend that:

Metro develop a non-profit industrial site development program to ensure that appropriate sites are available for existing and potential manufacturing operations in Metropolitan Toronto.

Direct Municipal Enterprise. Local governments must begin to explore opportunities to establish industrial enterprises within their traditional areas of responsibility. The treatment and disposal/recycling of all forms of waste is a good example.

Electrical generation; central heat production; separation and reprocessing of metals and glass; chemical separation and reprocessing; paper reprocessing; fertilizer production; and production of methanol have all been proven in other jurisdictions. Rather than wait for the province to step in and solve the problem, Metro should be taking the initiative in these potentially productive manufacturing areas.

Another promising area for spin-off activity is electrical distribution. Local Hydro utilities could follow the example of utilities in the United States, which have begun to function as prime contractors for residential, commercial

and industrial energy conservation work. Hydro involvement could range from financing, supervision and quality control to construction work or the manufacture of supplies. By eliminating two of the most serious road blocks to retro-fitting — financing and poor quality control of workmanship — such an action by local commissions would increase total employment in the field and make a positive contribution to energy conservation.

As a final example, local governments, school boards, hydro utilities and other local institutions are significant consumers of goods and services. There are no doubt many products which are imported separately by hundreds of local institutions that could be manufactured in Canada instead by municipal co-operative corporations. Co-operative manufacturing of transit buses, for example, might result in more of the components being Canadian-made. Furthermore, production of a Canadian transit bus might open up new export opportunities as has been the case with the publicly-developed Canadian Light Rail Vehicle.

In the case of Hydro, direct manufacture of the new equipment required for time-of-day metering, for example, could replace potential imports in a field that is bound to grow. In the light of the foregoing, then, we recommend that:

> Metropolitan Council establish a Task Force to develop specific proposals for municipal enterprise in areas of traditional municipal jurisdiction; and Metropolitan Council formally approach other urban areas in Canada with a view to establishing co-operative municipal production in key supply areas, such as was done with electrical power production in Ontario at the turn of the century.

The same arguments and recommendations that are made for Hydro can also be applied to another utility company, Consumers Gas. So, we recommend that:

> Consumers Gas be brought into the public sector with a structure and role similar to Hydro.

Political Advocacy. Ontario has been accused of taking growth in employment in manufacturing for granted. Since the second world war, it had been assumed that no public action was needed in the economy except to encourage industry to locate in disadvantaged regions. The Provincial government has only recently awakened to the need for public action and is still a long way from having an effective program in place.

With respect to growth in employment in the Metro area, the Province has been actively hostile. Ten years of programs based on projections for exploding growth in the Metro Toronto area encouraged companies to locate elsewhere. And if Ontario was complacent about growth in Metro, Metro itself was even more so.

In the tougher economic world of today, Metro Toronto must develop the ability to speak effectively for itself, both in articulating its own interest and in communicating to other levels of government the importance of a healthy Metropolitan Toronto economy to the development of the national economy.

When a few hundred workers are laid off in Metro Toronto, Metro politicians should be able to speak just as effectively and knowledgeably on their behalf as the Mayor of Cornwall can when workers are laid off in that City.

When programs are developed that discriminate against firms establishing new business in Metro Toronto, Metro politicians should be making the argument that Metro Toronto's natural advantages as an "incubator" of new projects makes such biases counterproductive.

As a major manufacturing centre in this province, Metro should be at the forefront in applying political pressure to improve Ontario's layoff protection legislation. Metro should be a part of the debate on the future of the auto industry. And Metro should be represented at significant public regulatory hearings dealing with important matters to the local economy. For example, the Metro area has a direct interest in where Bell Canada's subsidiaries expand their manufacturing operations.

Metro as an economic entity has a critical role to play in Canada's industrial redevelopment. But a case for the importance of Metro's role will not be made if Metro doesn't join the debate. Metro's economic interests and needs are different from those of other less complex regions. For example, effective manpower planning at the level of the firm is more needed and more difficult here than elsewhere. Myths about Metro's economic position have to be dispelled publicly. For example, it is assumed that small manufacturers have an easier time obtaining financing in Metro than elsewhere. That assumption stands largely because we hear a great deal about the lending policies of banks from people in smaller communities, but nothing from Metro.

If Metro doesn't have either the ability or the will to

speak out in its own economic interest, no one else will. And the community as a whole will suffer.

It has been suggested that the best way to deal with this problem would be to create a special purpose body headed by business, labour and political leaders to act as Metro's economic advocate. In our view, that would be a mistake. These problems are *political* problems. It would be ineffective and wasteful for Metro Council to shift the critical responsibility for economic development policy to an "independent" group. Only a political focus can given this function the strength it must have. Consequently, we recommend that:

> Metro Council endorse an advocacy policy designed to increase Metro's influence on the economic policies of other levels of government; and that Metro Council create an expanded Department of Planning and Economic Development to co-ordinate Metro's economic policies, to serve as the resource back-up for an advocacy role; to develop and formulate specific economic development policies; and to oversee the work of the Metropolitan Toronto Employment Services Agency and the Metro Industrial Property Corporation; and that Metro Council expand and re-name the Metro Planning Committee to the Metro Planning and Economic Development Committee, and that Metro Council present annually, along with its budget, an analysis of the current problems in the Metro economy and proposals to assist in solving those problems.

Maintenance and expansion of service. The most important thing that a municipality can do in support of economic development is to ensure that services are maintained and expanded — in other words, to make sure that the municipality "works." High-quality services play a triple role.

First, they create jobs directly. Public service employment is one of the most important sources of good, well-paying jobs in Metropolitan Toronto. Service cuts, and decisions not to expand services may save money from the perspective of the "books" of the municipality, but they also reduce the flow of income in the area and contribute to unemployment.

Second, they enhance the quality of life of the community and of the individuals in it. People are better off in a community that is well-planned and has good housing, efficient hard services, and affordable and efficient transit system, well-maintained roads, a sensitive and well-trained police force, comprehensive social service and a caring social assistance system. Good services make a community better able to deal with adversity of all kinds.

Third, a high standard of local service contributes to the impression people have of Metro Toronto as a city that works, that is well-run and efficient. The importance of this last point should not be missed. Metro Toronto's physical attributes and its social stability have played a vital role in its attraction for tourists. But other kinds of industry expand in similar ways. Corporate executives have a great deal of influence on location decisions, particularly those that involve themselves. If they think of Metro Toronto as a fine place to live and work, they will be more likely to locate here. Good services and effective planning have a direct and practical influence as well. For example, an industrial firm will be more likely to rent space in an area if it knows that the zoning designation is clear and that the company will not be forced to move because its operation has become incompatible with other land uses in the area.

There are several areas of service in which Metro Toronto could, and should, improve. Non-profit housing programs aimed at moderate-income families and individuals should be established in all of the area municipalities in Metro. The experience of Cityhome in the City of Toronto and housing co-operatives through Metro indicates clearly that this form of housing can provide good quality housing at lower cost than other forms. In fact, the recent attacks on non-profit housing by the development industry are a clear indication that the program has succeeded in providing better housing at lower cost, both to the individual and to the public sector in subsidies, than can be provided in the private-profit market.

Planning for industry might be tightened, and industrial needs must be taken into account in planning decisions. Despite the temptations in other directions, we cannot afford to use industry as a loose holding-designation in anticipation of other higher-value uses.

Although the transit system has "turned the corner" after the period of retrenchment and pessimism in the 1974-8 period, improvements must be aggressively pursued. Fares must be kept down through increased general subsidies. Completion of an east-west rapid transit route north of Highway 401 should be a priority.

The most important service area in the next few years, however, will be social services. Metro is changing rapidly;

needs for social services are expanding constantly, particularly in the suburbs. The social tensions that will emerge in the next few years if these needs are not met will be very hard on this community, threatening its economic life as well as its social fabric.

Cutbacks in services at this time are incredibly short-sighted in terms of the overall interest of the community: a narrowly political response to outside pressure which will hurt Toronto badly in the long run. For all of these reasons, we recommend:

An end to all cutbacks in social and other services;
Development of non-profit housing programs in all parts of Metro;
Establishment of comprehensive and tight industrial planning designations to protect industrial areas;
that social service programs be expanded and made more sensitive to the changing needs of the residents of Metro Toronto;
that daycare programs be expanded until the current criticial shortage is eliminated. Increased funding for daycare should be a focus of Metro's efforts to extract more money from the Province; and that transit service be expanded by providing new services in under-served areas and by cutting transit fares.

We have outlined above the views of the Labour Council of Metropolitan Toronto on the critical economic issues facing Metro and have isolated four specific areas for action at the local government level. It is important to be realistic about what can be done. Local government does not have its hands on a lot of big economic levers. The overall state of the economy is always going to be influenced primarily by the senior levels of government. It would be a mistake to pretend otherwise. But it is important, nonetheless, to take seriously the obligation to do *well* what can be done. There is a danger that nothing will be accomplished. Either nothing will be done, because the job seems so big; or the easy, ineffective route of boosterism will be taken; or the policies will become so parochial — focussed entirely on assessment growth for example — that they make no contribution on the wider issues.

We will support fully an economic development policy for Metro that concerns itself with making a contribution to the solution to Canada's broader economic problems; focusses its attention on strengthening the industrial economic base and not just on increasing the rate of growth of assessment; and sets out a concrete program for public economic action and intervention to make a positive contribution to sensible economic development.

Conference
Definition of the Problem

George Brown

I would like to place before the conference one perspective on the issues and changes facing Metropolitan Toronto. In doing so, I will restrict reference to numbers and quantitative measures to a minimum. This is done partly in deference to time constraints but also to underscore the general paucity of current detailed information about the labour market and particularly about the employment base in the Toronto area.

Looking at these issues from an historical perspective, it is clear that many of the trends now shaping the Toronto Census Metropolitan Area Employment Base have been present for decades. The era of development of traditional industry characterized by intensive development of industrial zones in the harbour area and along the railway mainlines ended in the 1930s. In the '40s and '50s as the residential development of the Metro suburbs began to approach saturation, trends which are shaping the economic and employment structure of the Metro area today started to take shape. The system characterized by the downtown city centre employment nexus fed by a supportive network of residential suburbs began to be modified. New industry in the manufacturing sector, and older firms on those manufacturing sub-sectors which were expanding, tended to leap-frog over the older Metro suburbs to locate in the periphery of the metropolis. Escalating land values, zoning restrictions, and competing land uses in the city centre were coupled with cheaper land and the development of extensive air, road and inter-city expressway systems in the peripheral area. The manufacturing employment base has grown rapidly in Mississauga, Brampton and York region and continues to expand. In the later stage it has been evident that the Metropolitan periphery has been beneficiary of rapid growth in its manufacturing employment base at the implicit expense of the Metropolitan area which is now registering a slow decline. At the same time as institutional, governmental, finance and insurance services and trade industries have expanded greatly in the city core encroaching on and displacing manufacturing industries, competing land uses in the city centre were coupled with cheaper land and the development of extensive air and road transportation networks. Some of the problems of unemployment which are with us today derive from these processes of economic structural change.

The changing spatial distribution of manufacturing employment in the Toronto census area has been documented by various sources so I will restrict my comments to its results in the labour market. The shifting out of the manufacturing base has tended to eliminate potential jobs for some city residents — particularly those accustomed to blue collar or unskilled work who are residing in the older east and west sections of the city. The attrition of the manufacturing employment base in the city has not been accompanied by the creation of perfectly-equivalent new jobs in the tertiary and government sectors, although the net rate of new job creation has been extremely high up until recently in the city centre. Relatively high rates of unemployment observed there have persisted over time in spite of the rapid development of transportation and lower cost multi-unit housing in the periphery which facilitate the access of city residents to new manufacturing jobs in the outlying areas. The migration of manufacturing from the central city has therefore contributed to the creation of a pool of unemployed and unskilled city residents.

Unemployment has also tended to creep outwards across Metro towards the periphery. In 1971 the distribution of unemployed registered at Canada Employment Centres in the Metropolitan Toronto district was about 48% of the city, approximately 42% in the older transitional suburbs and 10% in the outer periphery of the

Metropolis. By February 1981, the City accounted for much less, about 37% of the total. While the older suburb share remained constant, the share of the periphery jumped quite a bit to 21%.

Compared to other parts of the nation however, the growth of unemployment in the Metro Toronto area has not been that severe. In the 1970s, mean unemployment rates in the Toronto area increased by about 70% over prevailing average rates in the 50's and 60's while they doubled elsewhere in Canada. The current Statistics Canada measure of 4.6% for the Toronto Census Metropolitan area is remarkably low compared to other parts of Canada, given the phase of the business cycle we are in. But the absolute numbers of unemployed, estimated in the 70,000 to 80,000 range, remains high, perhaps unacceptably high.

Juxtaposed to this, we have a long-established trend toward strong, persistent expansion of the employment base in the Toronto area. In the twelve months ending in February 1981, there was a measured net addition of about 113,000 employed persons to the employment stock in the CMA representing an exceptional 7.5% rate of expansion during a year when growth was stagnating in Canada as a whole. We have no measure of growth in terms of products in the census area. Information is unfortunately unavailable as to what type of jobs were created — whether they were part or full-time, or the nature of their occupational or remunerative structure. But a reasonable estimate would put about 80% of these new jobs in the non-goods-producing sectors, particularly office occupations, food service occupations and positions in other service sectors. The creation of new jobs in these sectors has nonetheless been unable to replace completely those lost in manufacturing.

Shifts in the geographic and sectoral distribution of jobs in the census area undoubtedly account for some of the persisting unemployment that we have. However, adjustments have had many years to work themselves out and in my opinion, much of the unemployment might derive from factors other than these geographic shifts. Technological change has been implemented rapidly in the manufacturing industries resulting in a reduction in the rate of growth of unskilled jobs in this sector. Conversely, we have persisting shortages in the skilled machine trades of mechanics and electronics technicians and also in some construction occupations. These are acting presently as a serious bottleneck to the expansion of production and will continue to do so in the future if the business cycle continues in an upswing in the early 80's. Skilled shortages co-existing with a surplus of workers or an under-utilization of the labour force suggests that structural mismatch is a basic cause of unemployment. Notwithstanding this, the number of new jobs being created in this area does not seem to be quantitatively sufficient to fully reduce unemployment levels to the frictional minimum which we might want to see.

The shortage of jobs relative to the number of persons wishing to work relates in part to labour saving productivity gains associated with new technology, but also to increases in the labour force participation of certain groups, particularly women. The absorption of women into the labour force at a rapid rate has posed adjustment problems. For instance, the absorption of female workers into certain occupational areas with resultant concentrations has tended to perpetuate a lower wage structure in these occupational areas. The present rate of implementation of mechanized information processing technology in the office sector is expected to accelerate. It is expected that less labour will be used per unit of output as a result. The rate of new job creation in lower skilled office occupations is expected to decelerate in the near future, posing further adjustment problems for the segment of the labour force which has been traditionally associated with these occupations.

On balance, there is no clear evidence that changes in the participation of one group in the labour force can be causally related to increased unemployment. On the other hand, it is clear that high levels of unemployment persist in part, due to the tendency for increases in the labour force to offset the unemployment reducing effects of the strong employment growth which we have had in the Metro area over the last several decades. Toronto is a growth pole and its labour market exerts a magnetic pull on surrounding regions. We have observed that as our job base expands, particularly during upswings in the business cycle, and demands are created in diverse and complex occupations, the pull exerted often results in the filling of these positions by job searchers from outside of the area. As a result, there is no direct impact in the Toronto unemployment total. It remains persistently high and in the last seven or eight years there has been no substantial decline in the absolute numbers of unemployed. This total tends to remain disturbingly high even when the job base is expanding during a boom.

The future is likely to be a continuation of the trends discussed above. Increasing labour force participating will continue, notwithstanding the levelling off of population

growth because participation is related to a number of complex socio-economic factors, not just demographic factors. Rapid technological change is expected to create a large number of skilled jobs related to computers and computer systems which may quantitatively offset the elimination of many traditional office occupations. However, this will pose strains in terms of the adjustment of the labour force. As lower skilled jobs in the finance and business service sectors and in manufacturing and construction continue to be eliminated, there will be a sustained growth of lower skilled jobs in personal accommodation and food services and possibly in the health and recreation services sectors. If the terms of trade in the future continue to shift against the manufactured products of southern Ontario, in favour of raw materials and energy imported from outside the area, Toronto's pre-eminence as a centre of industry and finance may be reduced. However a declining rate of increase in the tax base need not lead to the fiscal crisis posited in a recent Toronto newspaper editorial, if the demand for municipal services can be supplied efficiently and if aggressive policies to reduce unemployment have some impact in reducing the incidence of social dependency.

Don Richmond

I will start by suggesting that the theme of the conference is a good one but that it's title is a bit of a misnomer because it includes the term 'The Metro Toronto Economy'. While I am confident that borders of a nation can define an economy, I do not think boundaries of a municipality can do so. Consequently, although you have a political boundary, it may not mean very much in economic terms.

There has been a number of attempts to find an economic base that transcends Metro's boundaries and we have had such expressions as the Toronto Centred Region and the Central Ontario Region among others. For statistical purposes, Statistics Canada uses the Census Metropolitan Area, or C.M.A. as it is known. As that probably is the best source of data on the economy for a variety of purposes, I would suggest that for operating reasons, the C.M.A. is not a bad definition of a regional economy if such a bird exists. It corresponds roughly to the commutor-shed and housing market of Metropolitan Toronto. It is, I think, a reasonable segment to study as a definable piece of a larger economic system. It follows then that you really have to talk on a regional scale. The sort of micro-problems that we get very excited about in Metro — the loss of jobs, the movement of industry out of the central core into the suburbs and then into the newer suburbs — really are a process that should surprise no one. It is something that we should not get terribly excited about except in as much as it affects our particular interest in assessment and tax base. These are occurences that we have to look at on a regional scale rather than on a micro or municipal scale.

In passing, it is worth noting the wisdom of a government that almost thirty years ago anticipated the inevitability of change, it's impact on municipal boundaries and the delivery of municipal services, and created Metropolitan Toronto. The same sort of foresight and wisdom was not to be found in the provincial government in later years though expansionary pressures persisted. Rather than do the logical thing, that is, expand the boundaries once again to encompass and service urban growth on a regional basis with one municipal structure, the Government decided to create regions around Metro. This not only fragmented municipal government, it also destroyed the Metropolitan Toronto Planning board whose jurisdiction covered 740 square miles. So some of the mechanisms that we had for the planning and delivery of services on a regional scale disappeared in the early 70's through a series of political decisions.

What then are the problems on a regional scale rather than the Metro scale? First of all, population. The rate of growth has slowed down from approximately 3 1/2% per annum to approximately 2% per annum in the region. We are still getting a population growth of about 40,000 annually though the distribution varies within Metro. We have had severe declines in the city and some of the inner suburbs, and growth in Peel, Halton, York and to a lesser extent Durham. But in its totality, in terms of the overall region, population is still growing though the way it is distributed differs from the past. The change in the rate of growth then is not out of line with what is happening in Canada as a whole. There are, of course, very high rates of growth in Western Canada. But I suggest to you that a 1 1/2% increase in population projected over the next twenty years is not a bad rate.

All these projections, of course, can be blown out tomorrow by one major change, and that is immigration. Metro has been the recipient in the post-war period of about one third of the total immigration to Canada, which is a surprisingly high number. While the West may be expected to attract more immigration, Metro will persist as a major reception area should large-scale immigration resume; a situation that could change every demographic projection.

Population has its own internal pressures, trends, and changes. First of all, there is the age structure of the population. We have heard an awful lot of discussion about an aging population and the impact which that will have. It need not be a great concern since the 24 to 55 age group is that which is projected to have the most rapid growth rate over the next ten to fifteen years. Obviously, the substantial decline in the under 24 age group has had serious repercussions throughout the educational system. That is a far more immediate problem than growth in the over 65 age group which has attracted so much publicity lately. Dramatic increases to the proportion of the population over the age of 65 are not projected to take place until after the year 2000 and a lot of things could happen between now and the end of the century. In terms of family formation, obviously we are coming through the tail-end of the baby boom. The rate of family formation is slowing, yet there is a problem supplying housing to meet the very heavy demand for ground-related singles or semis. This is a fact of the age structure of our population, the baby boom, rather than immigration at the present time.

The criminal factor in the whole population picture for Metro, the city, the inner suburbs and increasingly for North York, Scarborough and Etobicoke is the phenomenon of non-family households. I listened one day to Jim Crozier, the Commissioner of Social Services in Peel, who was concerned about the fact that 10% of the population in Peel was composed of non-family households. I looked at him and said, "Jim, what are you worried about, it's 34% in Metro". Such a figure might seem to be a startingly high one, but we have been living with it for a long time. Of course, that high percentage of non-family households reflects two things: elderly people living alone and young people. We keep forgetting that as we lose families and young children to the suburbs, there remains a net in-migration of young people from elsewhere in Canada or from other parts of the world because this is an exciting place in which to live and because it offers the chance to improve one's economic status and lifestyle. Thus, while we expect a slowdown in the rate of growth of the population as a whole because of the age structure we see a continuing increase, at least over the next five years, in the labour force. Over the ten year period we are talking about, given our assumptions about migration, we can expect an increase in the labour force of about 250,000 people. Given our experience, despite the ups and downs in the rate of generation of jobs in the regional economy, that is not a staggering figure. It is a fact that after the rather disturbing situation during the mid 1970's, the rate of growth of new jobs in the economy as measured by Statistics Canada has been relatively good. And on a year to year change, if I remember the figures correctly, the growth has been something in the order of 23,000 in 1978–79 and 50,000 in 1979–80. So in summary, the population is growing; it is half the rate it was in the '60s and in terms of gross numbers, it is growing at somewhat the same rate, 40 to 50,000 a year.

There is going to be a slowdown in the construction of housing. The demand is not there, even if it is there for specific kinds of housing. I would suggest to you that the price changes that we are witnessing now have little or nothing to do with demand but have a lot to do with speculation and the pressures of trying to protect oneself against inflation. That does not mean that there will be no new housing, of course, but it does mean that the residential construction industry will not be booming in this region.

We still need a relatively good mix of housing to meet the changes in our society, lifestyles and choices. We are fairly satisfied with the mix of housing provided within Metro but we are a bit perturbed about what is being built in the new suburbs where, for the last decade, the

construction of single family or ground-related housing has predominated. Very little apartment construction has been undertaken and this limits the ability of the new suburbs outside of Metro Toronto to house people who have very low incomes. This means that low income people will have to rely upon housing stock that is available in Metro, either in the public sector or in the private sector under some form of rent supplementation.

The labour force will continue to grow but at a slower rate than in the recent past. Its rate of growth will be more in line with the rate of growth of the population of Metro. There are two reasons for this. The first is that the baby boom is virtually over. The second is that while we expect female participation rates to increase, they will do so at a declining rate. I remember reading studies of the United States where they had a 45% to 50% participation rate. It was stated that it could not possibly go beyond that. The high rate was explained in terms of the very large numbers of Puerto Ricans, blacks, Mexicans, females, and single parent families who had to work. In Ontario and in Metro we are over the 50% level and it seems to be going up regardless. Will it stop? I do not know. But it seems to me that biological imperatives work in our society–still! Although it is just a casual observation, I have noticed a marked increase in the number of pregnant women on the streets. In our own shop, we know that women have been working to save for a house and upon getting around age thirty they have decided to take time off. In a very small operation, we have had three women in the last year who have taken their maternity leave and intend not to return at least for a time. This might be the trend that will dampen down the rate of growth of female participation.

It is clear that the future of employment within Metro increasingly will be service-oriented. Office jobs are of particular interest to us as is the very, very rapid expansion of what is known as the hospitality trades or the tourist industry. A fifteen percent discount on the dollar not only helps you in manufacturing, it makes a considerable difference when you are trying to sell tourism. In the office sector itself, we have seen office space in Metro, in the last ten years, increase from thirty-two million square feet to sixty-three million. That is a doubling in ten years, a rather spectacular rate of growth. As a rather rough rule of thumb, we can say that you get about a thousand jobs for every million square feet of office space. We seem to have a growth rate in Metro of about three million square feet per annum and we are generating space for about three thousand workers annually. It is of interest to note that the high vacancy rates in offices that peaked in the '75–'77 period at about 9.5% have now dropped to 5.5%. In the city core, the vacancy rate has dropped below that although there are still some soft spots in the suburbs. Overall though, the service sector in Metro continues to grow.

Looking at unemployment, one thing that we have noted is the relatively recession-proof economy of Metropolitan Toronto, and I emphasize the term relatively. Our unemployment rates as measured again by Statistics Canada run around 1–2% below the provincial average and considerably below the national. The recent spate of plant shutdowns and layoffs seem to be associated with the automobile industry, the auto parts and motor vehicle production. There is no question that the North American automobile industry is in a terrible situation. We are fortunate in Metro to not be an automobile town and therefore the unemployment rates in Metro have shown up well in comparison to Windsor, St. Catharines, and Oshawa.

The critical point about unemployment from our perspective at this juncture is the persistently high levels of unemployment among youth. We are seriously concerned about the situation for young people in the 15–24 age group. They account for, depending on the measure, somewhere around 50% of the total unemployment meaning that we have a persistently high stock of young people who are not being picked up and moved into the system. We are trying to do something about that. George Brown mentioned earlier the issue of skill training. We see this as critical. Perhaps it will be the most critical issue that we have to face in this community if we are going to maintain a relatively successful economy. In the past, if we had a skill shortage we imported it. That option is not currently available to us. Why would anyone immigrate from a country with a standard of living significantly higher than that in Metropolitan Toronto or in Canada? The old attraction of streets paved with gold that beckoned to people from all parts of the globe is not there and we will have to depend increasingly upon our existing labour force for skilled trades. That means we are going to have to train our own people and I think there have been a lot of studies done at the federal government level and in academic and labour circles, demonstrating that our track record at skill training and development of our labour force is not good.

Finally, the key issue is the technological and structural changes that are occuring in the economy. As word processors go into our offices, the first thing that I am asked by my masters is: how many clerks can you do without? That is reality. Similar technological changes have

a severe impact on unemployment and manufacturing. A lot of us forget the technological changes that had such a severe impact on agriculture. It is not too long ago when about 30–40% of the employment in this country was in the agricultural sector. Today it is under 4%. That same sort of thing is at work in manufacturing. It clearly has not run its course in manufacturing yet, as there is a considerable future for robotics. In the search for productivity, in the search to survive in an increasingly competitive world, the manufacturing sector has to stress productivity and reduce the labour cost component. Obviously, this displaces people from manufacturing employment. You can start to see the very same process affecting the service areas, the office sector. It is not surprising that a lot of the replacement of people by the computer and the word processor has been in the financial sector. It is not surprising because the financial sector happens to pay better wages than the service sector. When you are faced with a trade-off between high wages and capital, you will go for capital. So I think that we are facing a situation which is both a good thing and a bad thing. I do not know where you come down in the middle but clearly the pressures of automation, structural change, technological change and so forth are starting to rear their ugly heads in what were traditionally thought of as the great growth areas in employment service. Undoubtedly, we are going to have some severe problems.

Even so, from the employment situation we can still say that we have a very good track record compared to the rest of Canada, and, in fact, most parts of North America, with the exception of the "Sunshine States". But we can not say the same about earnings, since real incomes are starting to decline. Inflation is simply galloping ahead at too fast a rate for wages and salaries to keep pace. Particularly important is the fact that only some segments of the labour force are managing to keep ahead of inflation. If you take a look at the industrial composite of wages and salaries, you will find that while construction, manufacturing, and finance are doing well, the traditional areas of service and trade are lagging. It appears that the old adage still is very true that the rich get richer and the poor get poorer. We have managed to keep our family household incomes increasing reasonably well, but we have done that only because of increased female participation in the labour force. But how long can that go on? If you have the wife and husband working is there another income earner out there? I do not think so.

Looking at the future, I think the critical issues that we have to face are the continuation of structural changes in our economy, and technological impacts on the nature of employment, on the occupational breakdown, and on skills. I think that is the one we have to watch most carefully. I think that energy is a problem. On balance, high energy prices may be beneficial. They may reverse the lethal decentralization of urban development and replace it with a more condensed and a more compact form. So we probably can speculate that energy, if available, is probably going to be beneficial to an area like Metro Toronto and we will probably end up with a much better urban community than we otherwise would have had.

Manufacturing is more problematic. We were able to develop and generate a very strong and diversified manufacturing base in the last thirty years in this country for one important reason. This was the phenomenon of the branch plant. Companies from the United States and abroad came into Canada to locate production facilities here in order to serve an extremely fast growing domestic market. These branch plants did not have much interest in export trade, and quite frankly it was simply a situation where a manufacturer who had a plant in Niagara Falls, New York moved into Niagara Falls, Ontario because he could circumvent customs and tariffs. But if that whole industry was developed for an expanding domestic market what happens when the domestic market does not expand as rapidly as it has done? What is the future of a large component of our economy, the manufacturing sector, if the future is in export markets as it increasingly has to be? That is a major problem that particularly faces Metropolitan Toronto and its surrounding region since we probably are more dependent on American branch plants than most other major manufacturing areas.

Inflation obviously is creating serious problems in terms of our real income, our ability to spend discretionary dollars on goods, services, travel or what have you. From a purely parochial, municipal perspective, if I may come down to that, we do not see any decline in the demand for municipal services. The era of physical development is virtually over, apart from some further transportation improvements. Increasingly, the interest of the community will turn to people and their problems so that the demand for social services will be more important than it has been earlier in Metro's history. We can see clearly the impact of that in the municipal budget. The police bill in Metropolitan Toronto is at a quarter of a billion dollars and the social services budget is edging up towards two hundred million dollars. That is well in excess of the total budget, capital and operating, when Metro started. I see no change because we will remain a magnet for the poor and, putting it very

bluntly, we are going to have to house them. The poor will come here because that is the only place they can get housed, particularly in the light of the housing situation elsewhere and the lack of new O.H.C. accommodation in the Province. The poor will come increasingly to Metro, not because they get more welfare cheques and Family Benefit Allowances, but because they can at least get some kind of accommodation. That is a very pessimistic outlook but I think it is going to happen and I think we are going to have problems providing police and social services. These kinds of costs will escalate regardless of whether our total population increases. So when we come down to the bottom line, the cost of municipal services is going to rise.

I am very perturbed about the glib answer that all our municipal financial problems will be solved by market value assessment. Essentially what I see happening is that people are becoming increasingly asset rich because of the sky-rocketing value of their housing but their incomes are not increasing as quickly as the cost of feeding themselves, maintaining their houses, and operating their cars. They just do not have the income to pay their property taxes despite what the market tells them about the value of their house. We have not had a situation where tax defaults have become any kind of a problem in Metropolitan Toronto. I have checked and double-checked and we have not reached that situation. But it seems to me that if inflation keeps going the way it is and incomes fail to keep pace, we may get into that kind of situation since there is no magic money tree. Market value assessment may make things more equitable but it is not going to be an outpouring of new wealth to the community.

The 'ad hoccery' of the provincial programs for funding municipalities is becoming a standing joke. The promises of '68 have been totally abandoned. The Edmonton commitment is dead. Municipalities find themselves in a totally untenable position knowing their costs are increasing rapidly without any assurance they will have the income or revenues to meet those needs. Clearly, reform is needed. Clearly the reform that had started in this Province has dissipated. In this connection, a study done last year by my counterpart at Metro, Dale Richmond, for the Federation of Canadian Municipalities demonstrated that Ontario has fallen well behind most of the other provinces in terms of municipal tax reform. One of our strategies in Metro is to increase assessment. But we cannot look to substantial increases in the assessment base in a virtually developed municipality.

Finally, I would like to say that the sudden spurt of interest in the whole question of employment and economic development at the municipal level seems to me to be the natural response of politicians when faced with a political vacuum. For twenty years, we have heard about the need for an industrial strategy for Canada and for Ontario. In spite of the talk, very little has been done at these two levels of government. Municipalities have now become concerned, not only as a result of the inaction of the senior governments, but because of the growing importance of 'soft' services to people relative to the 'hard' services to property.

Metropolitan Toronto cannot afford to wait for decisions to be made at either Queen's Park or Ottawa. Instead, municipal government must sort these problems out and do what it can about them. Our only regret, of course, is that the constitutional and legal restrictions placed upon municipalities working in this area are so severely limiting that there is very little they can do.

Marvyn Novick

Much of the work that we have done at the Social Planning Council in the past three years indicates that we are going through a watershed period in Metropolitan Toronto. We cannot look at this stage of our development as just a continuation of a trend that began twenty or thirty years ago. There have been substantial social shifts in the structure of the metropolitan population as well as economic affairs — some of which have become evident, some of which are anticipated. Accordingly, it is a period for assessing new directions. In a sense, the form of Metropolitan Toronto has to be re-tailored to fit current and future needs. So we must raise some fundamental questions about the municipal role in employment.

Is the will and the capacity present to undertake some of the initiatives that might be required to deal with this re-tailoring of the Metropolitan form? One of the ways to look at the employment issue is to look at the question of unemployment. Clearly, here in Metropolitan Toronto, we probably have a less severe situation than elsewhere if we look at it statistically. We know, for example, that there is a factor called hidden unemployment which suggests that if there are seventy or eighty thousand recorded unemployed there probably are more who have been discouraged from seeking work. But to balance that, we also know that in an economy like Metro's, there is a high level of unrecorded work. So the job totals probably would have to be adjusted with respect to that part of the economy.

The unemployment issue, I think, should be approached from another perspective. There are two kinds of unemployed. One is what I call the mobile unemployed. These are people who are able to pick up and go if jobs are not available. We have been witnessing in Ontario and in Metro a significant out-migration of the 25 to 40 year old group; that is, the family age adults. For this group, for the mobile unemployed, a municipal economy really has to be competitive because these people have either the confidence, the skills or the capacity to move on elsewhere. So one of the issues around the municipal stake in employment is preserving the competitiveness of the Metro economy for this particular age group.

The second group of unemployed are the chronics, people without mobility potential; people who in a sense are captive within the Metropolitan environment. They have always been with us as the hard, residual core of unemployed. This group is a particular source of concern because it always has been there, no matter how buoyant the economy. In some instances, it's numbers are growing.

I would divide this group into three categories. Don Richmond dealt earlier with the question of youths who comprise one category. They are visible because they tend to express their exclusion in very visible ways. It is unfortunate that such behaviour becomes almost a necessary condition to trigger a public policy response. When youths vandalize or when they engage in gratuitous acts of violence, they disrupt the pragmatic concensus and stability of the community and compel a response. So we now know that youth unemployment is a serious concern.

Two other types of chronically unemployed do not have the same level of recognition because they do not display their exclusion in socially destructive ways. They tend to be self-destructive. These two groups are single parents, usually women, raising children on their own, and older workers displaced from the labour force. They are part of our chronic unemployed population.

There is ample empirical evidence that records the extraordinary toll of unemployment on health and on the very taking of life itself. In fact, in an era when holistic health and concerns around lifestyle living have become so prominent, the evidence suggests that unemployment is the greatest health hazard in this community; greater even than smoking or driving in terms of raw statistical data.

The chronically unemployed are part of the Metropolitan population and they probably will continue to be with us because there are facilities in Metropolitan Toronto, housing and services for instance, that mitigate against movement elsewhere, particularly in instances where opportunities and work capacities are limited.

In my judgement, the municipal stake in employment can really be reduced to two primary issues. The revenue base of the municipal economy is one of them. I am beginning to get a sense from American studies that part of the crisis of the northeastern cities had to do with the flight of jobs, the erosion of the revenue base by margins sufficient to undercut the financing of public services. Consequently, I am concerned about the out-migration of mobiles from Toronto particularly because figures indicate that the problem is a little bit closer to us than we may think. The age-of-dependence ratio, that is, the ratio of individuals aged twenty to sixty-four relative to sixty-five plus, will shift from 14 per hundred in 1971 to over 20 per hundred in 1991. That suggests that we might have an increasing population of adults who are out of the workforce and who are asset rich and income poor. This is a serious concern because even marginal drops in the municipal revenue base begin to affect our capacity to provide public services. If we have anything to learn from the American experience, it is that when the crunch comes, public services that are targeted for the chronics are the first ones to be cut.

I was quite interested to learn that among the Reagan tax cuts, those designated for the Corporation for Public Broadcasting are running into opposition. The middle-class likes its public services as is obvious if the condition of public schools in resource-starved central city areas of the U.S. are compared with those in suburban municipalities. The government of one such suburb outside Cleveland provides free bus service not just for kids that go to the public schools but the kids who attend private schools in the area as well. We can begin to see the shape of what the public service issue becomes if that revenue squeeze becomes quite significant.

The second issue for municipalities in employment concerns instability in the urban environment. Despair does breed discontent and we begin to shift quite imperceptibly, but quite significantly, into an increased reliance on protective services. That is a part of what is happening in Metro in the '70s. The real story in the growth of Metropolitan expenditures is the unbelievable growth of police services in this community. The Social Planning Council has become quite concerned about the growth of what we have called 'the fortress community' (typical of established, American cities) which produce patterns of social apartheid. We build protective barriers around stable and more affluent areas and begin to see pockets emerge that in a sense are really patrolled. Now it probably is irresponsible to state that this is an inevitable direction. But I think it is responsible to state that this is a set of concerns that have to be part of our horizon of awareness as we deal with the employment issue.

The fact that Metropolitan Toronto is undertaking an economic development study is encouraging. I think there is recognition at the technical level that urban planning really has to expand so as to understand the relationship of land use and economic develoment, and human services. This is an accomplishment. Also, the undertaking of commitments around youth unemployment are significant although these flow out of visible, destructive incidents. We had to have a severe racial incident to precipitate that set of commitments. If we are getting into this form of planning, I hope we get into it in a fairly substantial way. When all is said and done, there is a lot of hypothesizing about the nature or structure of the municipal economy and its 'fit' in terms of manpower. But really we are at a stage where we know very little about it.

I would like to see economic development planning at the Metropolitan level take two forms initially. I think exclusionary studies are crucial at this stage. There is a proposed study with respect to the relationship of youth to the municipal employment market. Those studies should be expanded and I think we should look at the status of single parents as well as the situation of older workers. In my opinion, this latter group, older workers aged 45 to 50 and over who tend to be displaced will be an increasing area of concern. If we look at the demographic structure, we are moving toward what I call cohort congestion. The age cohorts are moving up into their late 30's and 40's and the vacancy or opportunity change around employment will tend to be somewhat less plentiful relative to the numbers of older workers. So exclusionary studies, I think, are one important direction for municipal planning.

I think the other area that is crucially needed is some hard sector analysis work to really understand the structure of the municipal economy, not in aggregate, statistical terms, but in terms of a couple of themes. The first is that we really want to know what kind of jobs we are getting in the municipal economy. It is not enough simply to truck-out figures that say we have more or less jobs. We want to know: what is the mix of jobs? Where are the good jobs? Where are the bad jobs? What are we really getting? We define good jobs as those with pay and protective benefits that would enable a worker to raise children and poor jobs as jobs that might be sufficient to either supplement a primary wage earner or maintain some kind

of solitary living. Eli Ginsberg, an important American manpower economist, has written quite extensively about the need to be making these distinctions. Good jobs, the ones with decent pay and protective benefits, tend to be in the public sector or they tend to be industrial, unionized jobs. The poor jobs tend to be in the unorganized, retail services sector. So, what is happening in the various sectors in Toronto? Are we preserving good jobs in the face of public spending cutbacks and industrial migration or are we becoming increasingly an economy of poor jobs? I think another thing sector analysis ought to do is to give us a sense of what role a regional economy like Metropolitan Toronto's can play in the future.

A third focus is to identify opportunities for municipal public sector initiatives. One of the things that concerns me about economic development analysis up to now is the assumption that the municipal role is only that of a host; that it's role is to create the environment wherein business conditions are competitive with those in other municipalities in order to attract private sector investment jobs. It seems to me that an economic development plan ought to look at options for municipal enterprise. There are Canadian municipalities, for example, that run telephone services. So it has been argued that the municipal role in utilities should be examined. I am not making suggestions with respect to any particular areas of municipal initiative. But I think a development plan should examine these questions. In cities like Paris, the municipality is a major employer in the commercial services area, including hotels and restaurants. In Sweden, the municipality operates and owns shopping centres. I merely raise this as an area that should be examined.

Beyond these studies, I think there are three sets of issues that should be addressed as part of an economic development plan. We really have to know what urban conditions are appropriate to new kinds of production that we can expect, both micro production or re-technologized forms of existing manufacturing and industrial production. We want to know whether new kinds of production take the incubator form needing a compact central city location with a lot of fluid movement and manpower, or whether they are developed through industrial spin-offs which can take place in suburban or peripheral areas. What are the urban conditions necessary to attract new forms of production?

The second issue that we have to deal with is the status of the service sector. I think that we have lived too long with this silly notion that wealth is created only through manufacturing and processing. Just like the physiocrats of two hundred years ago, we now have the mechanocrats who do not believe that something real is created unless there is a commodity at the end. Clearly, there are parts of the service sector, such as the knowledge sector, that have exchange value; that introduce competitiveness. The same labour economist, Eli Ginsberg, contends that the growth of exchange value in the future will be in the service sector. We really have to know much more about which parts of it can increase exchange value and which parts are largely overhead or directed to use value. But it is not enough to come up with silly metaphors that the service sector is non-productive because everybody takes in everybody else's laundry. We have gone beyond that in terms of our understanding of wealth creation.

The third issue that has not really been addressed seriously in the Metro Review, although it is in the background paper, has to do with the issue of public spending. What are the implications of public spending cutbacks for the Metropolitan economy? We are a major source of government employment; we are an administrative centre. To what extent do we depend upon levels of public spending for the development of the municipal economy?

I would say that there are at least three sets of issues around public spending. One is it's lead function. We really must get away from the myth that is preserved by mainstream economists who dismiss the role of the public sector in wealth formation. As a social planner who, for only the past three or four years has studied economic development and planning, I am appalled that this perception persists. The empirical evidence clearly is not there. The empirical evidence clearly indicates that public investment and public spending generally and historically have played a leading role in the generation of capacity for private wealth, whether it is in defence industries, highway construction or space investments. We have to look at this lead function role of public investment whether it is for world class research institutions, or cultural facilities to create attractive cities, or for municipal enterprise itself and its ancilliary functions.

Second, public spending has an important relationship to social stability. Clearly, the chronically unemployed depend upon our ability to provide adequate daycare service, to offer job preparation programs, and co-operative education programs at a secondary school level. Third, as I have indicated, public spending creates good jobs and enables family-aged adults to maintain themselves in a metropolitan

environment.

So, in conclusion, I welcome the municipal involvement around employment. I think it is crucial because the macro forces are given expression at the micro level in terms of the urban form. If we are getting into economic development planning at the Metropolitan level, we need studies that will bring the issues to the fore and identify the desirable outputs.

In my view, there are three kinds of outputs that become important. One is job preparation and the Metro Planning staff clearly is on the right road in giving heavy emphasis to this. That is one output or major thrust which is now starting in Metro. The second is public investment. Here, we need a framework which does for public investment what the Official Plan does for land use. I submit that something like a public investment plan is needed if we are to look at municipal economic development; a public investment plan that spells out over a number of years the kind of lead public investments that are required for both direct job creation and for the hosting function. Of course, such a plan is a form of social demand that is proposed to senior governments. But that is alright. I think a legitimate municipal function is to be an advocate of social demand. The third output is for the municipality to be a model employer in all aspects of the employment issue which has four parts: job creation, job preservation, job preparation, and job distribution including job sharing, flexible hours, and part-time work. Each is a component of an employment pattern; part of an economic structure. Government, by virtue of its large manpower compliment can become a model employer whose job distribution schemes reflect the desire of people for variable job arrangements.

As a final observation, let me say that public process and public planning depend inordinately on political will. Political will is generated when there are social movements in a community that frame the agenda of political debate. Conferences such as this as well as the work of the Labour Council and the Social Planning Council in putting employment and other economic issues on the agenda of municipal political debate is the kind of continuing activity that is required if economic development planning is to become serious at the municipal level. These meetings and these groups are the source of political will. I hope the kind of deliberations which are taking place here continue.

The Urban Economic Structure

David Nowlan

The working title that I have given to my notes is "Development Policy in a Regional Urban Economy". I will pick up certain features of typical regional urban economies and attempt to show what lessons might be drawn from them in formulating an industrial development strategy for Metropolitan Toronto. In the course of these remarks, I may find myself being a little critical of the policy that actually did pass Metro Council late last year.

Some aspects that are important in considering Metro Toronto as a regional, urban economy have already been touched upon today. But let me emphasize the significance of each of those two adjectives, regional and urban. The formulation of development policies has to take into account both aspects. As a typical regional economy, the Metropolitan economy — or the C.M.A. or some alternative definition of the region focussed on Metropolitan Toronto — is open. It is *open* in the sense of being connected to the economy and society outside the region. As an *urban* economy, Metropolitan Toronto's economy has developed in response to the various efficiencies that characterize geographically dense patterns of living and working. These efficiencies have various labels in the literature: agglomeration economies, economies of scale, reduction of uncertainties and so on.

The first perspective, that of Toronto as an open region, compels us to recognize important limitations on the effectiveness of purely local policies on such things as growth, employment, unemployment, happiness and misery. Carriers of signals that ultimately get translated into messages or measures of these items pass freely back and forth over Toronto's regional boundaries without so much as a 'by your leave' to the Metro Chairman. The second perspective on Toronto as a densely packed urban area encourages us to examine carefully the very complex internal dynamics of intra-regional location. This would include considering the effect of public spending or other public policies on private decisions as well as the impact of development policies on the distribution of well-being within the Metro or regional society; that is, income or wealth distribution, dollar measures, standing in for some other more sophisticated measure of the distribution of well-being.

From both these perspectives we should be wary of Metro's new but old-fashioned economic development strategy which I would characterize, perhaps hyperbolically but I hope fairly, as a return to simple-minded industrial boosterism. It is one which seems not only to ignore striking changes in the way the world works that have occured over the last decade or two, but it equally ignores the distributional or broader social effects of these developments.

Let me focus for a few moments on Metro Toronto's economy as a region, the chief characteristic of which is its openess. To pass quickly over the manufacturing side of economic activity, it need simply be noted that investment in manufacturing has no greater leverage on income, employment, on export promotion, or the promotion of service sector consumption or investment in anything else for that matter. So, looking at development in very broad regional terms, I look first at the demand side of economic activity; at things that keep economic activity going at a particular level, gradually rising or falling around that point. There are a variety of alternatives to simple investment in machines and buildings for keeping economic activity stable, or growing and not declining. For instance, one might look to the supply side, the effect of investment on the ability of a region to produce more and to create more jobs. It seems logical to assume, for example,

that investment in physical infrastructure stimulates employment growth. Well, this may be so but it might be difficult to prove from the record. Consider, for example, the performance of employment in the City of Toronto from 1956 to 1970. Over the fourteen year period, there virtually was no change in the number of jobs of all kinds in the city. In 1956, the number of jobs was just under half a million and in 1970, it was about the same, 470,000. In between, during the early 60's, there was a bit of a dip.

Now during that period, close to $6 billion (in today's dollars) was invested in structures alone in the City of Toronto. These figures are derived from the value of building permits issued and since some projects were aborted, the value might be less but certainly in the order of $5 to $6 billion. This level of investment was very close to 40% of all building investment that took place in the whole of Metropolitan Toronto at the time. Yet, and this is the important point, despite such a very high proportion of investment occurring in the City of Toronto, there was virtually no change in the number of jobs. So, in terms of its impact on employment, it seems to me that the type of investment rather than simply investment in general, or its magnitude is the important point. Emphasizing investment seems to be entirely the wrong thing to do.

Consider instead the alternative of a development policy oriented toward manufacturing and goods production. I hardly need dwell on the enormous changes in regional, national, and international economics that have occured since the mid-1960's when Daniel Bell recognized the coming of the post-industrial economy. Change indeed has moved with incredible speed during the 60's and 70's. Some data depicting these changes were given to us by panelists this morning. The demand for services of all sorts like public services, hospitals, education, financial and legal services, and consumption goods is directly proportional to the level of economic activity.

The relationship may be a little complex but think first of a direct relationship between the level of income as a measurement of activity and then the impact of that level of income on the demand for services by us as consumers. There is a fairly direct relationship between them. On the other hand, consider the demand for production goods or durable goods. This is measured relative to income mainly in terms of its stock level. How many machines and buildings do we have? There is a demand relationship between the stock of producer goods and the flow of income or dollars in the economy. It follows, therefore, that there also is a relationshiop between the change in the stock of durable or producer goods and changes in income. Accordingly, that change in the stock of durable goods represents the flow of goods from our industries annually, or over any time period, of these durable capital goods. So what we see on the one hand is a flow of services, and therefore service sector employment pegged to the level of economic activity. On the other hand, the flow or production of durable goods tends to fluctuate according to variations in the level of economic activity.

That, I think, is both the correct and the sufficient explanation for the emerging stability of the Metropolitan Toronto economy. It suggests the difficulty one has in a regional economy that is heavily dependent upon the production of durable goods. The demand for services and therefore service employment is relatively stable because output is directly related to the level, and not related to the difference or change in the level, of economic activity. Demand for durable goods is incredibly sensitive to changes in the level of economic activity. That is why, as at least Don Richmond mentioned this morning, there has been some stability in employment in Metro Toronto. Indeed, the A.E. LePage background study to the Metro industrial development policy found the following relationship: that the stability of employment in the central area of Toronto was much greater than the stability of employment on the fringe. The finding appears to be related to this simple relationship. Their study found that the city does appear to recover more quickly from downturns in the national economy than the fringe or the C.M.A. as a whole. What I am suggesting is that if we seek stability in the face of the many uncertainties of the 70's, there is nothing wrong and possibly much that is beneficial in emphasizing service sector development. As a final point in this line of thought, the openness of the region means that the effects of investment or service promotion decisions within the Metro region reach well beyond its boundaries. So, in looking at a development policy, one would quite properly focus not on levels of unemployment, important as those are, but on employment recognizing that there is a flow back and forth in response to a variety of complex factors.

Let me turn to the second element of Metro Toronto as an economy; that aspect of it that can be characterized as a complex, geographic urban area. Here I am going to touch on some background theory and then highlight three conclusions that I believe can be drawn from what we know about such an economy.

You are all more or less familiar with the process by

which development occurs in urban areas. First, there are certain efficiencies to be achieved by living and working together. These efficiencies attract people and since land in one place is fixed in amount, an increasing demand for it sets in motion a set of well identified and reasonably well-understood effects. As land prices rise, densities increase in response to rising costs of living and higher land values result. As well, wages increase relative to those in non-urbanized areas. These trends either continue in periods of growth or fluctuate to reach some new, stable level if there are no major external shocks on the economy. In the course of these events, and especially as national forces and forces of technological change swing us away from manufacturing and into the service sectors, increasing agglomeration efficiencies put ever greater pressure on existing developed areas. For example, the employment density in the commercial core of Toronto, say south of College down to Front, is something over 300 employees per developed acre. By contrast, the most dense industrial area in Metro Toronto which also happens to be in downtown Toronto, the garment manufacturing district west of Spadina, has an employment density of something over 100; that is, only about a third of the employment density of commercial or service-oriented districts.

There also is another characteristic of metropolitan development that should be mentioned. Rising land prices do tend to encourage people to search for residential locations outside the city. As linkages improve, whether transport or electronic linkages, pockets of concentrated activity begin to build up outside the downtown core. This too has been a characteristic of the metropolitan area economy. But always, the efficiencies that characterize urban living and working ultimately are capitalized in rising land values.

The three issues that abbreviated version of internal development forces suggests to me are as follows. First, development strategies at the public level must pay attention to the efficient distribution of activities in the urban area. Clearly, the private market capitalization of efficiencies to be realized in urban areas cannot respond to many of the social costs and benefits of development. Now by saying that I do not wish to imply that planners or bureaucrats do necessarily respond in a manner which takes account of these matters. But it does seem worth their attempting to do so. Consequently, the development policy of Metro Toronto is important in this respect, and I am somewhat discouraged by the issues that were discussed in the processing of Metro Plan. For example, the possibility of better linkages between employment, homes, and commercial service development, both to serve employment centres and residential areas, needs to be taken seriously and given greater prominence. The political debate over Metro Plan was in my mind a sham though the technical work that went into it was very good. There was a lot of in-depth study of alternate patterns of development. Yet my perception of the new development policy, a perception heightened by the change in name of the Planning Department, suggests that there is a tendency among the people who produced the plan, and the Metro Council which approved it, to turn away from those kinds of planning considerations and to stress instead, a 1950's style boosterism which holds that if private sector investment alone were encouraged all would be well in Metro Toronto.

The second issue is that in the course of urban growth, there is a constant process of redevelopment. You do not 'finish' a city and then move elsewhere to build again. There are two, three and four generations of buildings on any single site. Furthermore, in the commercial core of Toronto, when I measured it a few years ago, more than half of between two and three thousand commercial lots had less than 10% of the building space on them to which they legally were entitled. Only a small fraction of lots, even in the most dense commercial area of a city like Metro, which has been rapidly expanding over two decades, have development anywhere near the legal maximum density. In addition to development that occurs on under-developed parts of the central commercial area, there is redevelopment of mature areas. So money and investment keeps going into developed parts of the city and one cannot turn away and say, well, that is now developed; land prices will no longer rise because it is already done; attention now can be turned to the surrounding regions. One has to evaluate constantly the efficiency, the humaneness of develoment that will go on and on in Toronto for 100, 200 years. It does not stop all of a sudden. Land prices will rise and there always will be opportunities for the public to collect some of the efficiencies of the agglomeration process that otherwise get capitalized to emerge in society as private wealth.

This is one of the reasons why I am most reluctant to back away from property taxes. If we do so, all our attention must be directed toward other taxes such as those levied by the provincial and federal governments. Property taxes are one of the few ways the public has of sharing in the wealth that results from agglomeration. I agree with Don Richmond that there is a certain tension between stable or diminishing real income levels and rising

asset values. But what is happening now is that asset values in land are going up anyway and instead of individuals paying taxes on the rising values, they are paying the equivalent of taxes to their banks who hold their mortgages. We might as well capture more of that for public purposes and thereby solve in part some of our social problems.

The third and final issue I want to deal with is that we have to understand what is involved in service sector jobs. We have moved — it is not that we are moving — we have moved into a service-oriented economy. Increasingly, highly skilled individuals are not tied geographically to fixed machines or buildings for their work. Much of their wealth, as I think Marvyn Novick has noted, is in their heads and it is very mobile. But even the wealth that represents high level, skilled, hand-oriented workers is much more mobile than it used to be. Even, say, a skilled mechanic, who at one time might have been tied to very cumbersome machinery could, quite conceivably, with the introduction of various electronic scanning and testing devices, set up as a small consulting business moving around with some kind of mini-computerized equipment. It is not at all inconceivable.

The problem, I suspect, is not so much trying to look to the possibilities of such organization in the service sector. Rather, it is worrying about a society in which there is in a real sense, an emergence of a craft-oriented, self-employed society. This is what Galbraith has called the unplanned sector. It is the relationship of this sector to the very tight relation between government, big business and possibly even big unions that should occupy our attention. The social dimension of development policy must not be ignored.

In this connection, I can not resist one closing remark. If we were to take the money, about $1/4 million a year, that Metro Council has proposed giving to the Toronto Area IndustrialBoard and spent it instead on scholarships for children of families which could not otherwise afford to send them to say community colleges or universities, we could produce in about ten years, three or four thousand highly trained individuals who would then be able to find their proper slot in a service-oriented economy. If we spent a million dollars a year, we could produce over ten thousand such people who otherwise would not be able to have this high level training. It seems to me that in thinking about the development of Toronto, we must be concerned about the development of a civilized, tolerant, and humane city and not simply about the old fashioned business of investing in industrial structures through the private sector.

Shoukry Roweis

I want to start with some facts. Since 1974, Metro lost about 19,000 factory jobs. The City of Toronto alone has lost more than 40,000 manufacturing jobs in the last twenty-five years, a fact, incidentally, that is not inconsistent with David Nowlan's claim that the City of Toronto in aggregate has had stable employment, although I am not sure what his source for this fact is. In 1979 and 1980 alone, 20,000 union members in Metro were laid off or permanently lost their jobs because of shutdowns.

Employers using office space as opposed to industrial floor space, according to an A.E. LePage study, have been moving out as well. These moves, however, have been less dramatic. The majority moved from the inner city to suburban locations within Metro. In contrast, employers using industrial floor space have been moving away from Metro to its ex-urban fringe. Since the early 70s, it was these outer regions that experienced the fastest growth rate in occupied industrial space. Among all users of industrial floor space, manufacturing firms took the most dramatic move away from Metro.

If we look more closely at the relocation patterns of manufacturing firms we find that the job losses from Metro were most visible in industries like metal fabricating, electrical appliances and chemical products and supplies. Other sectors in Metro like the rubber industries and particularly printing and publishing have not experienced

absolute net losses in jobs, but they have lagged considerably behind national growth trends. All of these sectors have stood their ground in terms of labour productivity in the 1970s. Therefore, it would be a mistake in my opinion to try to explain the loss of jobs in Metro or anywhere else similar, by reference to a loss in competitive advantage.

In addition none of these manufacturing sectors has reduced its labour requirements during the period 1970–1976, which is the period I have some information on. And I doubt very much that this has changed since then. In fact, if we trace the changes in the ratios of production workers to total employment, and in the ratio of values of shipments to total employment, we find that each and every one of these manufacturing sectors has slightly raised its labour requirements in the 1970s. The implication is that it would also be a mistake to try to account for the loss of jobs in Metro by claiming that overall manufacturers have been introducing effective labour saving devices.

Now the questions are these: how can we best understand and explain these facts? What can we say about the nature of Metro's economic structure that will help us understand these alarming trends? Is there such a thing as an urban economy distinct and different from a provincial or a national or international economy? Above all, what can all of this tell us about what to do now in the face of these trends? I will not claim that I know all the answers. But I feel confident about two things that I wrote in my notes, and a third that is a response to something that has been said today repeatedly.

First, I think it would be pure folly to say that these trends are not unique to Metro Toronto and from this to conclude that we can do nothing about them. Second, it would be a waste of time to look for economic explanations of these trends if by economic we mean something other than political. There are no economic laws that I know of that are not made by humans and hence there are no economic trends that cannot be reversed by humans if they have the political will, determination, and competence to do so. What I have to say then amounts to a political interpretation of some developments that I believe are pertinent to the issue of employment and the Metro economy.

The third point I will make is a direct objection to the statement made two or three times this morning that there is nothing much wrong with the service orientation; that an emphasis on the goodness, so to speak, of secondary manufacturing sectors is just a physiocractic anachronism. I invite those who entertain such a thought, no matter how appealing it might be (we could always speculate about why it is for a group like us a very appealing thought) to reflect on the possibility of a collectivity of humans living by washing one another's laundry. It seems to me that if nobody is producing food then nobody can pay anybody else to wash their laundry. I also invite them to think about the feasibility of somebody keeping accounts if nobody else is buying and selling; or for that matter for somebody earning an income from litigation if nobody in the process of production, consumption and distribution, is entering into disputes that require litigation; or for that matter the possibility of a collective engaging in the technicalities of insuring the assets of one another when no assets are there to be insured in the first place. I do not think that a society can survive by peddling land or insurance policies or legal advice or so called personal services without somebody in that society producing usable wealth that sustains the biological, if not the social life of the community.

I believe that at the heart of the employment issue is a prolonged, political contest between two important groups in Metro who are not unique to the Metro situation. One group can be called a blue collar worker group, for want of a better description, and the other group are professionals, intellectuals, managers, technocrats and bureaucrats. These latter people are members of what Gouldner calls the new class, and if an admission is needed, it is the class to which I belong. The political contest is one about the territorial organization of Metro. The issues in the contest are about the purposes of this organization, whose interests it should serve, which life and what habits should it house and accommodate, which services should it have, who shall pay for these services, who can live where and at what cost, what economic base is favoured and so on. Clearly this contest has to be seen and interpreted in the specific context in which it took place, Canada and Ontario. Several points therefore are worth remembering. Canadian history is primarily a history of commerce, surely not one of industry. Trade and commerce require a specific pattern of national and regional infrastructure, essentially transcontinental transport as opposed to local and sub-regional transport, and modest local services other than those related to port facilities or railroad facilities.

Ontario has never developed a manufacturing-industrial class as such; banking and trading interests, yes, but not manufacturers and industrialists. Politically this has meant from the early beginning that an urban working class as such was never a major political force. Artisans, tradesman

and unskilled hands constituted the bulk of the labour force. On the other hand the banking, commercial and trading interests nurture the development of a white collar workforce, again from the early beginnings. From its nineteenth century beginnings Toronto's so-called reform politics reflected these facts. In view of the belated industrialization of southern Ontario, and to attract investors, provincial fiscal policies, at least as early as Confederation, favoured expenditures on social services like education and police or expenditures on infrastructure such as roads, trunk sewers and the like. Competitive wage levels, in comparison to those prevalent in the U.S., and a highly qualified labour force were thought of as the main potential attractors of adequate economic activity. They were, but they did attract tertiary economic activities and land development activities more than secondary industrial activities. This only meant a further boost to the political clout of the rising new class.

Against this background, the political contest between blue collar workers and the new class manifested itself recently in several ways. There was the issue of reorganization of local government in the 1950s. Metro government promised a rationalization of services and an equalization of costs and benefits between the City of Toronto and all of the twelve suburban municipalities associated with the booming pace of urban development. What it accomplished, however, is slightly different. It effectively reduced the political influence of working people and consolidated the ranks of the new class in Metro.

There was the anti-highway agitations symbolized in the Spadina affair. In the name of protecting the living environment the new class scored another victory, a victory whose price was paid by working people. Since you cannot move materials and finished products on the subway, Metro became less potentially attractive to manufacturing firms than to office firms.

There was also the most recent reform movement in the City of Toronto. The slogans were about preserving neighbourhoods and opposing developers. The outcome became obvious a few years later. The City of Toronto was effectively taken over by members of the new class, and working people were effectively displaced to the fringe where land development was already slowing down under the strain of fiscal deficits and the growing inability to finance adequate services, hard and soft alike. Partly as a result, housing prices and rents escalated in Metro and quite legitimately, organized labour launched aggressive wage demands in order to cope. Employers responded by moving out of Metro.

What does all of this mean in terms of the question: what can be done and ought to be done? I have very brief comments to make about this. First, maybe it is just the limitations of my own creativity, but I do not see any easy technical solution. Second, having read the brief presented on the matter by the Labour Council of Metro Toronto I find myself in virtual agreement with all the points it makes. There are specific recommendations all of which I think will help the situation. I have something to add, however, which I do not think is trivial. The position taken by the Labour Council, in my opinion, shows unwarranted faith in the ability and willingness of Metro government to see to it that the problem is addressed. Beyond and above any possible urging that we might legitimately put on Metro government and other local governments, the labour movement must get much more actively and aggressively involved in local politics, particularly territorial politics. I think that some friendly criticism can be made of the labour movement on these grounds.

The labour movement has not systematically and consistently been in the forefront of the political scene locally. And as a result, I interpret the history that I went through very quickly as a history in which the labour movement has in fact forfeited a lot of the potential gains that it could have made. It has been readily co-optable by a reform movement that pretended to protect labour's interest but protected the interests of its own constituents, namely the young ascending families from professional and technocratic backgrounds. It was the members of that group who came to dominate the reform movement and shape its agenda. They came to win the battle over Toronto and as a result caused a great deal of change in the shape of Metro. In the meanwhile, this all happened at a time when suburban expansion was no longer on the agenda. The fight continues and you wonder whether in fact there is any other feasible and realistic path for labour to follow but to get directly and immediately involved in that political contest.

The Urban Economy in Context

John Britton

My objective is to consider the inter-dependence of the Metro Toronto region with the overall Canadian economy and beyond. In doing so, I will take a long-run view. I understand that the next session will deal with the contentious matters of this conference, namely, policy options and I am not really going to address those. My task is to outline the need for debate and action on policy options that have a direct bearing on the region. My approach is quite simple. First, I will examine some salient aspects of the Toronto economy that bear on the issue of employment. Second, I will turn to an international perspective where some interpretation is made of some of Canada's trading patterns since international performance has direct repercussions on employment. So first, the national context.

More than half of Canada's manufacturing output comes from Ontario, and the Toronto region has a major share of this. Furthermore, occupations such as computer programmers, EDP operators, systems analysts and other white collar jobs are equally or more especially concentrated here, than manufacturing jobs. Manufacturing activity in the Toronto region is focussed mainly on secondary manufacturing for which agglomeration advantages have been important factors explaining the location pattern of more capital intensive activities in southern Ontario than in say, Québec. The pre-eminence of Toronto in these sorts of industries means, therefore, that when we speak of the region's industrial or employment problems, we are also referring to national patterns of performance. Likewise, when the pattern of ownership of industrial enterprise is considered, it has to be remembered that there is a high degree of foreign ownership and control of manufacturing activity in the Toronto region. In fact, about 45% of U.S. controlled manufacturing in Canada is found in this one region, compared with about 35% of domestically controlled industrial employment. The reasons for this pattern appear to be two-fold. Toronto is a convenient location for subsidiary operations and, capital-intensive secondary manufacturing plants with foreign ownership cluster in this area because of historical and geographical factors. Consequently, Toronto is liable to import changes quite readily in the corporate structure of industry that have their origin in the United States. As tariffs decline, as U.S. corporations respond continentally to the impact of offshore supplies of cheaper goods, as U.S. investment shifts to the sun-belt, so Canadian manufacturing cities receive the fallout. And among Canadian cities, by virtue of its population of foreign subsidiaries, Toronto particularly must expect to experience the impact: slow growth, stagnation, plant shutdowns. This is what it means to be a hinterland economy; to be economically dependent. This is what it means when industrial plants are dependent on their parent corporations for advertising, product concepts and designs, technology, components, allocation of markets, and management. So must the cities and regions that house them be dependent.

Despite this rather negative or glum view of the industrial situation, Toronto has domestic corporate strength related to the need for financial, and corporate and related head offices. In this respect, Toronto is similar in employment structure to major metropolitan centres the world over. Toronto's head offices control 50% of the assets of Canada's top fifty corporations, 66% of the revenues of the top 50 resource corporations, 42% of the revenue of the top 50 corporations in the service sector, 51% of similar corporations in manufacturing and so on. Thus there is a duality about the Toronto economy that we should recognize in terms of corporate office jobs, and the jobs involved in supplying services and goods to them. Toronto appears strong and growing, since it provides important, high level functions for the whole economy.

A final question that we might try to answer on this is: who is responsible? Which of the following, for example: manufacturers, importing parts and sub-assemblies where there could be Canadian supply contracts; or governments importing goods where there could be Canadian supply contracts; or manufacturers insufficiently aggressive in improving product performance, plant efficiency and their export performance; or all of those? I suspect it is the latter, of course. Let us go back to the structure of the trade data and look at a second category, not just the merchandise, but the non-merchanidse trade balance; the counterpart of the trading goods, if you like. The merchandise account, if you remember, taking the two elements that we discussed, the resource and secondary manufactured components, has a positive balance of four billion dollars. The non-merchandise account has a negative balance of nine billion dollars. Do you not think it is strange that we do not hear more about this item, for example, when we read commentaries in the business pages and we hear the business news on radio or television? We do hear about the travel account when that is in deficit and the figure there is almost a billion dollars. But the other major components of the non-merchandise trade balance are the following two elements: interest and divident payments of about five billion dollars, and business services almost three billion, somewhere between two and a half, and three billion dollars. The overall is a trade deficit taking merchandise and non-merchandise into account of about five billion dollars.

Let us again evaluate this pattern of trade. Yes, the deficits are extremely important financially and in employment terms. Interest and dividend payments, for example, indicate the importance of foreign ownership of the resource and manufacturing sectors. Often, foreign firms import components, services, and equipment thus reducing employment possibilities in Canada. But more importantly, these imports reduce the developmental potential of Canadian firms. The business service item is, of course, a net figure and there are substantial service earnings abroad by Canadian firms. The aim of a positive trade in services therefore has some foundation. That may be the answer to our deficit in terms of interest, dividend, and business services.

Undoubtedly, it is an aspect that is closely related to the Toronto economy. Elsewhere in the world in recent decades, business services have been expanding as more demands are generated by more dynamic and aggressive manufacturing firms. R & D engineering, design, marketing and other technical services are noted for their tendency to concentrate in major economic centres of the developed world where pace-setting firms generally are located. Toronto's economic health, therefore, depends to a greater degree than is usually acknowledged on the degree to which Canadian manufacturing firms are in the forefront of innovation and their use of advanced technology.

I would like to make one more point on the trade accounts. Canada includes in its capital account the retained earnings of foreign subsidiaries in Canada. These really add another three billion dollars to the current account deficit, making it closer to eight billion dollars.

So, let me summarize and work toward a conclusion. First, Canada's international trade position reflects resource strengths. Some of this is reflected in Toronto's office industries though much head office activity and its associated employment is located in foreign cities. Second, world growth in the service economy has been occuring in Canada, particularly in Toronto. This has generated equipment demands some of which have been met domestically but heavily by imports as well. Canada, then, is deficient in technological and professional services because of the domination of industrial businesses by foreign firms which essentially import these services from other branches of their own corporations. Third, the secondary manufacturing economy is weak. Canadian markets are heavily penetrated by foreign goods and by foreign firms. Only some of the foreign subsidiaries are Canadian innovators and Canadian exporters. Canadian secondary manufacturing industry is inefficient at what it does and thus imports are cheaper. That is, for many products, Canadian goods cost more than imports from the newly industrializing countries, or Japan, either because of greater efficiency in those countries or because of greater efficiency and cheaper labour costs. In other words, when we are talking about goods produced using standard technology, many parts of the world are able to penetrate the Canadian market. As a counter-point to that, we have to admit, as well, that Canada does not produce enough of what it is possible to sell abroad. One reason for this is the cost problem. Another is the problem of mature producers; that is, the disadvantage of having very few producers whose products have design and performance characteristics that will lead to sales in other industrial countries. To conclude in one sentence, Canada trails the developed world in its high technology inputs and outputs, despite the fact that world trade is increasingly dominated by high technology products. Accordingly, that also is the weakness of the Toronto region.

Sym Gill

I will talk about the national and international contexts of the Metro Toronto economy as well as the provincial which I see as probably having the most crucial, direct impact of all. Let me start at the international level.

I think it is quite clear in retrospect that the post-war period probably up to 1970, was unique for several reasons. First, domestic demand in Europe and in North America was pent-up by the war and the depression in the 1930s as well as the need to rebuild Europe. Another unique feature was international stability mainly based on the acceptance of the U.S. dollar as the international currency and the ability of the American military to sustain that stability. Another unique feature, of course, was relatively low cost energy, a situation which probably has now changed irrevocably. As well, many of the technological innovations in the light consumer field had a unique and special emphasis especially after World War II.

The end of the war left the U.S. as an overwhelmingly powerful economy in the western world. Yet by the start of the 80's, magazines like Business Week, for example, were writing about the decline of U.W. power and the need for a reindustrialization strategy. Today, a number of European countries have already surpassed the U.S. and Canada in per capita income. The traditional U.S. position on free trade has given way to protectionism, in particular against the tide of Japanese cars. While the U.S. remains the most powerful economy in the world, its invincibility has changed along with the factors that contributed to that condition. After the war, the U.S. feared the instability in Western Europe would further strengthen many of the communist parties in those countries, since many had played a leading role in the resistance movements in the anti-fascist underground. In part, to prevent the emergence of communist governments or "popular front governments", the U.S. decided to assist aggressively in the restoration of capitalism in Europe and particularly in West Germany. Similarly, a strong Japan was seen as a source of stability in Asia. The strategy was successful and a strong capitalist Europe and a capitalist Japan emerged. But the strategy also meant that the seeds of future competition with the United States and Canada were sown in the post-war period.

When the European Common Market was formed to rationalize production within Europe while maintaining protection from imports, U.S. multinationals and to some extent Canadian multinationals accelerated their investments within Europe to reap those advantages. By this time, though, European capitalists were strong enough and independent enough to use their governments to their own advantage. To some extent, they were able to mobilize public opinion against the American challenge and to use the State to rationalize and strengthen European industry relative to that in the U.S. Their success resulted in what some academics soon labelled the non-American challenge.

Similarly in Japan, industry was able to use the breathing space that the Americans provided to re-establish a competitive independent economy. Again, the basic elements involved protectionism to allow domestic industry to get off the ground, widespread borrowing of U.S. and western technology, and an active State policy to co-ordinate and advance this industrial strategy.

By the mid-60's, American economists were expressing growing concern over this non-American challenge and the Vietnam war in the 60's and early 70's significantly accelerated the relative deterioration of the U.S. economy. While countries such as West Germany and Japan concentrated on developing the technology of mass produced consumer goods, the U.S. economy was diverted to the war effort. The resultant inflation and to some extent waste of scientific and productive capacity led to serious concerns about U.S. competitiveness. Wage and price controls in the early seventies which, after all, are a radical departure for the home of the free-market philosophy and especially for a Republican administration, was one response to this new stage of international competition.

What I am really describing is background to a changing international division of labour; in other words, what products gets produced where. Earlier this morning, Don

Richmond spoke about the success of manufacturing in Canada up until the mid-60s. In part, that was because the segment of our manufacturing sector which John Britton describes as a branch-plant economy was able to thrive in the post war years. But now that period is over it is likely that a branch-plant manufacturing economy such as ours will find it impossible to react to the new forces of the international division of labour. For example, until the mid-60's we had fairly thriving textile, clothing, shoe and even electronic industries in Canada. To all intents and purposes, those industries now have effectively relocated not just from Canada but also from the United States to Third World countries. All that remains of the Canadian industry in electronics is essentially assembly operations. The old branch-plant system in which enterprises produced consumer and industrial goods for national and regional markets has proved to be structurally deficient. It has been truncated and it certainly is unable to compete internationally. The industrialization of the Third World to a large extent has shattered the protective barriers that once existed and it is left to multinational corporations to develop an alternative global structure.

Let me turn to a couple of examples which illustrate what I am trying to get at here. But first, I should say that I agree with most of what John Britton has said. The one fundamental area of probable disagreement between us is the ideological nature of the control of investment. While we both see the symptoms, and in large part, the causes of the structural problems in our manufacturing sectors as being related to foreign ownership, I would go one step further and relate this condition to private ownership as well. I just put that out as an underlying assumption of what I am coming to. Private ownership and foreign control have prevented the transfer of wealth from Canada's staples production and resource goods to manufacturing in the past. Today we face the same road blocks. Private ownership, for example, of mineral resources in Ontario, captures the surplus from resource extraction and exportation. Foreign ownership in manufacturing has created a truncated branch-plant industrial base overly reliant on imports.

The example I want to talk about first is the Canadian machinery and tool industry. I will describe some of its features but I also want to use it to show why some speakers this morning were incorrect when they appeared to express satisfaction with growth in the tertiary sector in an apparent exchange for a relative decline in the manufacturing sector.

There has been a lot of hand wringing over the $3 billion deficit in the auto pact that was rung up last year in Canada. Astonishingly, the deficit in the machine and tool sector in 1980 was almost $12 billion; a sum almost four times as large as the deficit in the auto trade! Yet there is not the same sense of urgency. Canada is the only industrialized nation which imports more than 50% of its industrial machinery and tools. No other developed nation would ever permit such a precarious state of industrial dependence.

Machinery and tool manufacturing is important because it forms a vital link between the primary manufacturing industries like iron and steel and the secondary consumer goods manufacturing sectors. In the Canadian and Ontario economies, this linkage is weak since not only is domestic machinery and tool production too small to provide a stable industrial base for a developed nation, but the industry produces a narrow range of really specialized machinery primarily for the export market. The negative corollary of our exporting success is our extreme reliance on imports to satisfy domestic demand. Much of that domestic demand is a huge volume of technologically sophisticated and industry-specific machinery and equipment which is imported. Most notable are large quantities of agricultural, mining, forestry, and power generating machines; ironically, four resource industries in which Canada is among the world leaders and four industries which I suggest comprise a large enough market to sustain a domestic industry.

The inability of Canadian producers to hold their own in the domestic market is a reflection of the industry's structure. Canadian machinery and equipment producers rely upon the demand for custom made equipment for their survival. They simply cannot compete on many of the standardized items like pumps and valves, for example. Standardized, mass produced items demand an export market. But as J.L. Meschino of The Machinery and Equipment Manufacturers Association of Canada, the private sector industry body, has said and I quote "in practise, business in the prime export market, the United States, is limited by corporate relations. Whether we like it or not, we are a branch-plant economy and we can't compete against our parent corporations". The smaller firms, the machine, tool and die, and metal manufacturing shops are geared to the needs of local industry and often to the needs of single firm. Typically, these small shops specialize in a particular product service. Constrained by shortages of capital, management, and skill, few of these Canadian firms grow beyond a partnership arrangement.

The larger firms are predominantly American branch-plants. They are similarly dependent upon a specialized, albeit more sophisticated product line such as pulp and paper machinery or materials handling equipment. Few companies produce more than one and often less than a full product line in Canada. As the vice-president of Canadian Ingersoll Rand explained in the Toronto Star recently, and again I quote "we are a U.S. company and our thinking is U.S. subsidiary areas. Like most U.S. subsidiaries, we have tended to specialize in the production of those products we know how to make best. In consequence, our product line is smaller now than in the past. We do make pulp and paper machinery in Canada but our mining division was phased out some time ago".

Despite the common sense logic of linking Canadian production to Canadian needs, and I might add Ontario production to Ontario needs, both the Conservatives in Ontario and the Liberals in Ottawa have policies which stress export markets, product specialization, and continental rationalization. Rather than broadening our productive capability, their programs narrow it so that we will become more not less dependent upon trade and correspondingly less able to satisfy our machine and tools needs with Canadian made products. In the short run, this strategy may possibly create new jobs in Canada and reduce our trade deficit. Over the long run, however, we will have created a second financial hemorrhage like the Autopact. That is, ten years from now, we will find that the trade deficit has grown to a level greater than the unacceptably high level the policy was intended to cure.

I would suggest that we are not even in the technology race which pits us against the United States, Japan, and West Germany. Instead, our underdeveloped technological capability means that in this round of international rationalization of productive activity, Canada is competing with developing countries for a share of the semi-skilled assembly jobs. Competition on this basis spells disaster for the Canadian and the Ontario economies. Although our wage rates are highly competitive compared to those of other industrialized countries, wages in Mexico and Brazil are a fraction of ours and the jobs which are affected by the international rationalization which is taking place in many of the sectors that I have mentioned are going to countries like Mexico and Brazil.

Let me move on to one other industrial sector, the forest industry, to illustrate further some of the problems that we are facing. This time I will come a bit closer to the provincial role. We have a huge forestry sector in Canada, particularly in Ontario. But the impressive statistics which demonstrate the economic benefits we derive from our largely publicly-owned forests mask some very serious underlying problems. In part, these problems relate to regeneration; the failure of the Ontario and Federal governments, but particularly the Ontario government, to ensure that there is a natural and sustained timber yield. This derelection has caused a tremendous depletion in the resource base of that sector. It has meant higher wood costs and impending shortages of supply. Furthermore, many companies, most of which are branch plants of foreign concerns, have been allowed to erode the competitive position of Ontario's pulp and paper industry by not reinvesting earnings sufficient to upgrade their Ontario mills. As a result, huge public subsidies are now being given to some of Canada's largest companies in a belated effort to modernize them and regain ground lost to the competition during the years of neglect.

A government analysis of the structure of the Ontario forest industry in 1973 found an increasing degree of both horizontal and vertical integration; that is, it found a growing degree of corporate concentration. This kind of concentration gives the major companies power to control events in their own self-interest and can result in the burden of economic recession being shifted to workers and their families. The point was highlighted in the Ontario Timber Revenue Task Force Report in 1975 and I will briefly quote from it: "The degree of integration and concentration as witnessed by current price strategy of pulp and paper producers has led to a degree of oligopoly. Rather than reduce prices in the face of the current market downturn, Ontario pulp and paper producers have turned to temporary shutdowns and operational cutbacks to soften financial pressures." Yet as I mentioned a moment ago, these companies failed to reinvest profits generated from Ontario forests. For example, of pretax earnings of about $839,000,000, ten Ontario companies chose to spend some 43% of that or $358,000,000 on dividends and payments to their parent companies. The Task Force ignored this, finding instead that companies were in no position to finance mills on their own. It's recommendation was for public subsidy. Since that recommendation has been accepted, some of the largest and most profitable corporations in this country have received grants from the Ontario and Federal governments. And let us not forget that we are talking about companies like Abitibi Price, Great Lakes Paper, American Can, Domtar and so on.

Earlier, I raised the question of ideology or perspective

and perhaps this is an opportune time to do so again in a slightly different context. The point is that the perspectives or conclusions of so-called experts are informed by ideology to no lesser extent than are those of any of us. Contrast the conclusions of the Timber Revenue Task Force with those of another panel of experts from Lakehead University who, in June 1980, reported to the Royal Commission on the Northern Environment as follows: "the significant margin between operating costs and projected prices for newsprint, together with the favourable rate of return on new capacity, strongly suggests that this sector is capable of undertaking modernization in Northern Ontario on a profitable basis without the support of taxpayers in the form of the recent modernization grants offered jointly by the provincial and federal governments." So to some extent it does depend on who you listen to!

As I have said, the free rein given to the corporate and private sectors to determine the direction and pace of economic growth in Ontario has led to a decline in our manufacturing capacity. There is an irony in this. Over the past ten or twelve years, the governments of Ontario and Canada have experienced a revenue squeeze. Yet it is one, I would maintain, that in large measure is of their own making. They have tried to bribe the private sector with taxpayers money to create investment. Not only has this failed but in the process the tax yield from the corporate sector has declined drastically. Let us analyze the revenue squeeze.

In 1960–61, for every dollar of the Ontario budget raised by personal income tax, $1.63 was raised by corporate income taxes. In 1980–81, by way of contrast, for every dollar raised by personal income tax $.48 is now collected from corporations. Another way of looking at is is to consider the share of the Provincial Government's budget attributable to personal and corporation taxes. In the decade 1960–1970, the corporate share, broadly defined, averaged almost 18% while the share from personal income taxes amounted to about 35%. In the next decade, 1970–1980, the shares were under 10% and 44% respectively.

This remarkable shift in the incidence of tax burden, in my opinion, is the direct result of a sustained effort by the Federal and Ontario Governments to use taxpayers money as incentives or bribes to corporate investment. I am referring to the whole panoply of devices like accelerated depreciation, resource allowances, inventory evaluation adjustments, deductions of processing costs and so on ad nauseum. These kinds of items which economists call tax expenditures represent the response of governments which have perceived the structural decline that Professor Britton and I have described. But it is an ideological response which attempts to bribe the private sector to correct that decline. I would suggest that it has not worked.

But the other consequence of that strategy is much more directly related to what we are discussing today, the impact on the Metropolitan Toronto economy, especially on metropolitan governments. Ontario's weakening manufacturing industries and the foregone tax revenues resulting from tax expenditures are a direct result of economic mismanagement. The response to these economic problems and the attempt to alleviate them has been a conscious choice. The choice has been not only to continue the policy of providing grants and other privileges to corporations, but also to initiate and to maintain a consistent attack on social services. The Conservatives in Ontario have abandoned any commitment to creating social equity in Ontario. I would like to elaborate on that for just a couple of moments.

The true nature of the Conservative restraint and cutback program which was announced with some fanfare in 1975 was revealed in a speech in 1979 by James Auld who is the former Minister of Natural Resources. He asked his corporate audience to convey the message to the business community that burdens imposed on private sector producers would be lightened by his Government. He stated that ". . . it has to be perceived that such a message would constitute a conscious retreat from previous demands in areas of health, education, environment, regional, and class equalities and the like." The practice of restraint and cutback has matched the philosophy spelled out by James Auld. I think his, probably is the most revealing and honest statement that I have heard or read by Conservative government ministers.

The failure of Conservative economic policies and those of the federal Liberals has led to a sustained attack on the sick, the poor, the injured, the old, and single parents. These groups have two things in common. As groups, they are virtually without political power, and they all have been victims of a restraint program carried out in part so that corporate handouts could be increased. There has been a consistent pattern in the health care area: cutbacks to hospitals, increases in OHIP premiums, new chronic care charges, increases in ambulance fees. These have all been instituted to the detriment of those in Ontario who need health care. The cutbacks in the area of mental health care

have been just as severe. Provincial policy has been geared to emptying mental health care institutions under the guise of deinstitutionalization. What they have consistently failed to do however, is to provide alternative community-based care and housing with the result that many ex-mental patients are forced to live in unsupervised rooming houses. The Ontario Welfare Council and the Metro Social Planning Council released a report a few weeks ago which conclusively documents the fact that the recipients of social assistance have been systematically subjected to restraint to the point where they are worse off now than they were in the early 1970's. The report says, and I quote, "in the past five years the historically inadequate living standard of Ontario's social assistance recipients has been permitted to decline further; the poor are getting poorer." Day care expenditures have been consistently inadequate, but the plight of our elderly is a further indication of institutionalized poverty. The most recent tax data show that 45% of pensioners filing tax returns had incomes of less than $5,000 a year. In the area of education finance, the provincial grant to municipalities declined from something like 60% in 1975 to about 50% in 1981.

I am suggesting that there has been a sustained reduction in provincial transfers to local government. The resulting cutbacks in municipal programs simply reflect tax revenues foregone and tax expenditures incurred by Ontario and the Federal Government as a consequence of dubious economic policies adopted in the face of the international context that I have described.

Before concluding, I would like to join the discussion that took place earlier concerning the emphasis to be given to the manufacturing and service sectors. In my opinion, this involves the more fundamental question about the control of investment; the control of resources and of the activities that flow therefrom. The question of private versus public control is very important in this respect and I want to leave with one example of why I think it is so.

Garbage disposal may appear to be a very mundane example but in the next five or ten years it may not seem to be quite so mundane. It is well known that the landfill sites presently in use by Metropolitan Toronto are rapidly filling up and will be exhausted by about 1985. There is only one other site available and that is called Maple Pits. It is about 1,000 acres. That site is owned by a company called Waste Management Incorporated, an American multinational. I think the earliest suggestion to the Metropolitan government that it should take control of that site for garbage disposal was made in 1954. There have been ten or fifteen studies since then which have all urged that it come under public ownership. The Metro Works Committee is groping with the question right now of whether or not they should expropriate it. The importance of the issue concerns the ideological barriers that seem to exist. Despite the urging of all sorts of consultants and all sorts of politicians, including Paul Godfrey in the early 1960's, that Maple Pits be expropriated, that has not occurred. But when one looks at the revenues that will accrue to whoever controls that site, one can well understand why.

The revenue estimates, simply from tipping fees, which I have seen, range from $3 1/2 billion to something like $10 billion over the next thirty years. Mundane as the example may appear to be at first sight, it is easy to imagine what the effect of $10 billion will be on the Metropolitan Toronto tax base; its ability to provide social services, economic services or whatever. And I would emphasize that the question is not simply a textbook one of whether a private contractor can do it better or cheaper than public authorities. It is not a technical question but an ideological one.

**This paper is based on a background paper prepared by Sam Ginden, Research Director of the United Auto Workers of America.*

The Alternatives

Anthony Ormsby

As will likely be obvious from my comments, I am not an economist. Most of my business background has been with a multinational company working in the U.S. as well as in Canada, particularly in Toronto. My business involvements today are mainly as a director of companies, rather than with direct operational responsibilities. I am also the partner in an accounting firm and therefore involved with a number of private Canadian businesses in a professional capacity. Industrial development is a subject in which, of course, I am very interested. I did serve for a couple of years as President of the Toronto Area Industrial Development Board, an organization which, in spite of earlier references, has helped to bring 800 businesses to Toronto and with them 90,000 jobs. I serve on the council of the Metro Toronto Board of Trade and that organization has been deeply involved in the development of Toronto as a spokesman for the business community for 140 years.

I mention these associations really to underline my interest in the topic that we are discussing today. At the same time, I want to point out that many views that I express are entirely my own. It is very interesting for me to have had an opportunity to listen to the other speakers today. I think that it is also interesting that there has been general agreement on the lack of data that is available on which to base solid, long-term planning. We are certainly talking about an important objective and that is the creation of more jobs. I want to try and bring a different perspective to this need.

Incidentally, while I may be the only business speaker here, I am pleased to be able to share my responsibility as a spokesman for multinational organizations with Hugh McKenzie from the United Steelworkers!

Contrary to other views expressed, it has been encouraging to me to see the concentration of effort put forward by the Metro Economic Development Steering Committee. As a result of its report, and to underline the importance of economic development, the Planning Committee of the Metropolitan Toronto Council has been renamed The Economic Development and Planning Committee. This underlines to my mind the recognition of the need that we are talking about. Nobody else has said it, so let me tell you what three functions of that Committee are. One is to recommend to Metro Council policies and programs for the expansion of the employment and assessment base. Another is to establish more effective relationships with private sector interest — business, industry, and labour — in developing economic development policies and projects in Metro Toronto. The third is to advocate changes in existing policies or to develop new policies at the provincial and federal level for the benefit of Metro Toronto. A subcommittee of this Committee has also been established which is to include representation from the Board of Trade, the Toronto Area Industrial Development Board, The Labour Council, the Urban Development Institute, and The Convention and Tourist Bureau. This Committee has been asked to examine government procurement policies, the stimulation of research and development through R & D centres, the provision of assistance to area municipalities to upgrade industrial and commercial areas, and finally, the development of vacant or under-utilized land.

I am also pleased that the Provincial Government has stepped aggressively into the act with B.I.L.D., the Board of Industrial Leadership and Development. I want to talk a little bit about what B.I.L.D. is supposed to accomplish because it too does not seem to have received much enthusiasm from some speakers today. Attention of the Board has been directed to electricity, transportation, resources, technology and manpower. One, amongst a number of its specific recommendations is to establish the Idea Corporation: innovation development for employment advancement. Its purpose is to co-ordinate the search for

new technologies, and to purchase patent and license rights. Its board will have representation from the corporate sector, the academic community, and government. Again, we are dealing with an area where encouragement is being given to various segments of our economy to get together and I think that is very important. Some government finance research centres are also proposed as has already been mentioned: auto processing technology, micro-electronic development, and a number of other things.

I won't deal in depth with the B.I.L.D. program, but I think it is important to recognize the provincial commitment to industrial development. In fact, what is important is that both the Province and Metro are now saying that this is something that has high priority and requires attention. The studies underlying both the Metro and Provincial programs make it clear that we need more new jobs. The Metro study indicates the need for a minimum of 250,000 jobs in the 1980's, plus whatever may be lost as a result of plant shutdowns and removals.

As Toronto grew into Metro Toronto and Metro Toronto into the regional community, with one third of Canada's total buying power within a hundred miles of City Hall, its industrial growth was strongly supported by the establishment of many small and medium sized plants, a lot of them subsidiaries of foreign-owned companies. The establishment of this diversity of secondary industry led to the creation of a superb service base in Toronto. I believe it important that industrial development in Metro not be viewed in isolation. As new manufacturing plants are built in the Metro Toronto region, the jobs thereby created will in turn provide new jobs in the service industry and many of these will be located in Metro itself.

We are all concerned with the unemployment problem and recognize the need to create new jobs. We should remember, however, that it is not just our problem. Let's relate it to the economic problems confronting other countries, and particularly to the United States. Forbes magazine has an excellent discussion on trouble in the U.S. heartland last month which in comparative terms, should make us feel somewhat fortunate. These states include the five Great Lakes states: Ohio, Indiana, Michigan, Illinois, Wisconsin, plus western Pennsylvania and western New York. Those of us who are concerned with plant closings in Ontario, will see that their concerns are duplicated in spades in this area. The so-called sun belt states have had a much more dynamic economic environment. Availability of energy, lower labour costs, together with local government enthusiasm for new plants, (and I want to underline that last one) have all contributed to this.

While I'm on the subject of competition for new plants, let me tell you about the industrial revenue bond financing that is available to businesses which establish plants or add plants in a number of U.S. states. A recent experience that I was involved in provided 8% financing over a twenty year period. This was not just for the bricks and mortar of the plant itself, but also for the equipment going into it. As I'm sure you are all aware, income from industrial revenue bonds is tax exempt in the U.S. so the recipient is compensated for the low rate of return. A related point was touched on in a Time magazine article the week before last. The article, entitled "How Japan Does It?", reported on differences between industry in Japan and North America with particular reference to the auto industry. Japan now has about 25% of the North American market. The heartland article I referred to previously indicates that the situation in the U.S. midwest is highly influenced by the automobile industry. The statistic is quoted that one of five American workers is involved in making, selling and servicing cars. Thus, it is not hard to see why there is an unemployment problem. Unfortunately, this has also been the case with television sets, calculators, ship building, and steel. What is interesting in the Time article are the reasons that they identify for Japan's success. These include: an ability to emulate; the ability of business, government and labour to define concensus by compromise; the fact that Japanese society is forward-looking; industry's commitment to quality; and, lastly, a highly competitive environment. We should also remind ourselves that Japan's accomplishments have come about in a country that imports 100% of its aluminum, 99.8% of its oil, 98.4% of its iron and 66.4% of its wood and lumber. What I am really saying is, let's make sure in Canada that we study and benefit from the experience of others.

I want to talk for a moment about Metro Toronto in that context. A large part of our industrial base has developed as a result of foreign investment. So solutions to Canadian job creation based on a perceived need to increase government involvement in industry are in my view philosophically undesirable. However, those who do not feel this way should understand that on a short-term basis their preferred approach can be threatening to job creation. It is regretable but nonetheless true that foreign perceptions of what we do are not always what we think they should be. The Foreign Investment Review Act is a good illustration of this. It is true that the F.I.R.A. approves the vast majority of applications that come to it. But the debate and attitudes that surround F.I.R.A. have had a

good deal of attention in the foreign press leaving the distinct impression with many American companies that they are not wanted in Canada. There is also the feeling that if an investment is made following approval, future expansion necessary to support that investment may be threatened by an extension of the F.I.R.A. philosophy. Most companies prefer to be in a position where they can choose between alternative investments based on analysis of risk and reward. F.I.R.A. type involvement is considered a significant risk to a potential investor. Business, of course, likes a stable environment in which to operate.

There has been a lot of comment recently on the need for more research and development in Canada and various incentives are being provided to encourage foreign owned companies as well as Canadian companies to conduct more R & D in this country. It is my recollection that these incentives have been chopped and changed so often that one's impression of them, speaking as a businessman, is one of here today and gone tomorrow. Staffing for research and development is not a short-term matter. The lack of consistency in the application of these incentives has likely made them a lot less productive than they could have been. This has been coupled with a move from general availability to one of grants being made on the basis of a bureaucratic assessment of value to Canada. This is not something that most businessmen like to confront if they can avoid it. Moreover, as government has become more involved with direct grants to individual R & D projects, problems also arise as a result of the international tax structure. These grants are sometimes considered to be direct subsidies.

I would also like to talk a bit about product marketing. As part of an overall industrial strategy, the concept of product mandating can have an important influence on the economy and a potentially beneficial effect, in my view, on the employment situation. Of course, the prime example is the Canada/U.S. auto pact. Its objectives were the creation of an expanded market for automotive products with the benefits of specialization on large scale production, and the development of conditions in which market forces can operate effectively to obtain the most economic pattern of investment, production, and trade. Product mandating thus involves each country manufacturing products specifically agreed upon in volumes that can ensure economical and efficient production. In my view, such a policy can help create an economic environment which can contribute to the stability and growth of the labour market. It also can encourage research and development in Canada related to the mandated products. Certainly in the direct experiences I've had, this is what has happened.

There have been a number of new legislative requirements affecting labour relations in the last couple of years. Not only have these new requirements imposed added burdens on business but the increasing rate of change creates a less stable environment which businessmen view as increasing risk. There is a limit to the amount of fundamental legal change that can be absorbed by the business community in any period. When coupled with the growth of new regulatory agencies, this problem is compounded still further. Currently we have been dealing with new laws with regard to plant shutdowns. We have also dealt with new legislation in the areas of health and safety, labour relations, arbitration, and pension benefits. I am sure there are others.

When the Steering Committee of the Metro Economic Development Committee was doing its research, it commissioned a report called the Crocker report. This document indicated some real concerns on the part of businessmen who were interviewed. They suggested that local government needs to provide a much more positive attitude. It needs to move much more rapidly on building permits and zoning. It needs to push provincial and federal governments on industrial development needs. It is important to provide a sort of one-stop shopping centre for businessmen so they are not bounced from one person, or one committee to another when seeking government assistance or approval. The report also points to the needs for involvement by businessmen and developers in the whole job creation process.

In conclusion, I would like to stress the importance of our maintaining an aggressive attitude to attracting foreign capital. When legislative and regulatory changes are proposed, it is important to look at the effect of such changes on our ability to attract foreign capital. Government involvement should be positive and non-discriminatory. Our employment problem should be viewed in the perspective of the overall North American situation. We should not be negative about the free enterprise system. The situation here is not as bad as in other countries and government intervention is not necessarily going to help. In fact, it may have a negative long-term result. Here, in Metro Toronto, we are part of a strong resource based economy. We have a well-educated workforce, although I am prepared to admit that our educational system could be improved with regard to job orientation. We have got a good transportation system and we benefit from our proximity to U.S. industrial centres. We

have an excellent service base for our industry. Not by any means least, we have a superb living environment in Toronto which is recognized as such all over the world. We have the ability to create more jobs here, but we must recognize that we have to do it in a competitive environment. Finally, I talked earlier about the need to attract American capital. Recent experience leaves me with more concern about Canadian private and public companies investing in the United States rather than in Canada because they experience a much warmer invitation there and a potentially higher reward for risk.

George Fallis

To address the theme of this session, I thought I would proceed through three stages. The first in a way summarizes the day, asking what is the nature of the problem that we face? Second, how have we diagnosed this problem; and third, what can municipalities or, perhaps I should use the term somewhat more broadly, local governments do to deal with the problem?

Throughout the day's discussion, the problem seems to have shifted considerably so that in a sense I am not exactly sure what the problem is that we are addressing. Nevertheless, I have picked out three themes that I think have emerged.

One problem that has been referred to is the absolute decline in the number of manufacturing jobs in Metropolitan Toronto and in Canada. Now I think this focus on manufacturing jobs is quite misplaced. We run a real danger of becoming obsessed with the manufacturing sector. A speaker this morning offered what appeared to be a very appealing statement saying, "well, we can't just take in each other's laundry; we've got to have someone making the machines and producing the food." I could not agree more. But the logic of that statement would say that we should all be going back to the farm as well. I think the important point we have got to recognize is that after we have food and after we have a chair, what do we want next? Another chair? Or a financial sector which provides insurance to farmers and manufacturing workers? Insurance is not un unvalued thing. How many of us have life insurance? How many of us like unemployment insurance? Insurance is a very useful kind of service so I think becoming obsessed with manufacturing is quite misplaced. I think the key issue is: what in the long-run will increase the standard of living of Canadians.

To put our obsession with manufacturing in context, I can tell you a very good way to have an enormous manufacturing sector in southern Ontario. Pay everybody 50 cents an hour. We will have hundreds of thousands of jobs here. But our standard of living will not be very high. And it just does not make sense to try to compete with Taiwan and Pakistan and India, perhaps in an international moral sense, but in a very short-run, self-interested sense as well. Furthermore, we can do very well in other kinds of activities and still have high standards of living.

The second theme bearing on the nature of the problem one faces concerns the absolute decline in manufacturing jobs in the City of Toronto. Again, as I will draw on later, I think this is an extremely parochial and misplaced emphasis. Those of us who live in the City of Toronto were quite willing to run out to Scarborough and ask the people there to have high density development to support our transit system. I think we have got to begin to look at ourselves much more as a region and simply not be so parochial. As someone pointed out, the next thing we are likely to have after the Metro economy and employment study is a conference on the North York economy and employment, then one on the Broadview-Danforth economy and employment and so on until we finally have a study of block level employment policy.

The final theme that has emerged in our description of

the problem is the level of unemployment. In my view this clearly is a social problem that needs to be addressed. Our levels of unemployment in Metropolitan Toronto are not as high as the national average. But nevertheless, unemployment of any magnitude has an extremely high social cost since among other things it represents foregone output. It is a serious problem and I think unemployment is where we have got to focus, not on the absolute level of employment.

So with those sorts of themes that have been raised in the context of describing the nature of the problem, I then asked myself what kind of diagnosis had been advanced during the day, particularly with respect to the issue of the high level of unemployment. I think the primary cause of our high level of unemployment has been totally ignored. It has to do with our macro-economic policy. The reason we have high unemployment, whether we agree with it or not, is that Canada has made a social policy choice to fight inflation by creating slack in the economy and tolerate high levels of unemployment. The easiest way to increase total employment is to stimulate the Canadian economy. That is the fundamental factor governing the level of employment in Metro, or the level of employment anywhere in Canada for that matter. Other things have been mentioned which undoubtedly influence the level of employment. Rapid growth of the labour force due to the baby boom and increasing participation rates of women in the labour force is one. Another is technological change. As well, a labour force mismatch is cited whereby people with required skills are not available in the labour market. Furthermore, the spatial evolution of the Metropolitan area was identified as a cause of unemployment, although I rather doubt its significance, and finally our branch-plant economy and weakness in secondary manufacturing were cited.

So, with these diagnoses of the problem before us, I asked myself: what should municipalities do about it? Well, I think an appropriate, if somewhat theoretical exercise would be to try to design a system of government for Canada; that is, allocate responsibilities, federally, provincially, and municipally; specify the boundaries for municipal governments; and then decide where you would assign responsibility for dealing with macro economic policy, labour force mismatch, technological change, branch-plant economies and so on. I think most of us would assign these responsibilities to the federal level. If not at the federal level, then at least at the provincial level. So, I think municipalities are wasting an enormous amount of energy worrying about national macro-economic and international kinds of issues. These simply are not issues that they ought to be dealing with. Yet they are favourite subjects of municipalities. You only have to go to the meetings of the Federation of Canadian Municipalities to see the kinds of resolutions which get passed. They bring back capital punishment, they ban capital punishment, ban the bomb, stop acid rain — nothing about garbage collection, schools, police protection, and so forth — the kinds of things with which municipalities actually are involved. So if you stood back and designed an optimal system of government, you would find that municipalities would not have responsibility for a lot of things which are determinants of the level of unemployment. Consequently we should not be bemoaning the so-called constitutional straight jacket that municipalities find themselves in. Employment is just not an issue that they should be dealing with for reasons that are fairly obvious: municipal economies are tremendously open economies; business is mobile; people are mobile. You simply cannot run a macro-economic policy in an open, tiny economy like a city. In fact, you probably cannot even run a significant redistributive policy in a tiny, open economy like a city. If you assign responsibility for redistributing income to the City of Toronto and it becomes relatively generous, people who want benefits will move here and people who want to escape paying the taxes to contribute to that redistribution will move out. That, of course, is exactly what has happened with a lot of social services. Similarly, it happens if municipalities get into elaborate incentive programs to attract industry. It is principally a 'beggar your neighbour' policy. If you bring a new plant to Toronto, you may be removing it from Ohio. But it might also be transferred from Kingston or Hamilton or Arnprior.

So, against that background, the next question is: what is to be done? I have talked a little bit about the problem, a little bit about what I see as the diagnoses, and now I shall address what it is that municipalities and local governments should be doing within what I think is the appropriate sphere of responsibility for them.

The first area where I think there is a legitimate municipal role is in the educational field. Our educational system is very much a tri-level system although the federal government is trying to get out of it right now. But at the very least it is a provincial-local system. I think the initiatives for job matching, for creative responses to the kinds of employment needs could be coming out of our school boards. It strikes me as exceedingly odd that the key issue last year in the City of Toronto School Board was homosexual rights. Not the question: is the educational system giving students the kind of skills they want? I think municipal governments as well as the schools could act

creatively in this regard. For instance, they might change their land use policies to permit the construction of technical schools on industrial sites. Why split them apart? If you have a kind of intersection between these communities maybe it is desirable to have them proximate in land use terms. Go to the business community, the employers, and study the kinds of jobs that are going to be needed over the next few years. Then see if we can mount, through our secondary educational school system, the kind of programs which are going to meet those needs, or establish apprenticeship programs and so on.

The second area of municipal concern is what I call intergovernmental reform. I think we do have some problems in the nature of our government's structures at this point. I think the principal one is that we need to see ourselves much more as a region rather than as the Metropolitan Toronto municipality. That is to say, all of the decisions we are making here should be seen in a regional context rather than in a metropolitan or city context. We should understand that the growth of manufacturing in Mississauga may not be a particularly bad thing for the region as a whole. Certainly social costs may be incurred by the people who live beside the plant that previously was located in downtown Toronto. That sort of question is a serious one that must be dealt with as a region. How should we handle that social cost? Perhaps it is to subsidize industry to stay downtown. Perhaps it is to create housing in suburban areas which blue collar workers can afford so that we would get industry locating efficiently and people able to live beside their place of work.

The other kind of intergovernmental reform that I think is needed is one that addresses impending financial problems of the older sections of the metropolitan region which are going to face high infrastructure maintenance costs and high social service costs in the face of a declining or static assessment base. Now I think property tax reform is only a partial solution in trying to solve that problem. The basic question is: people are going to pay taxes whether you take it from them in property taxes of income taxes or sales taxes or whatever. People pay taxes. Different burdens are distributed differently. But in the main, people pay taxes. The problem which may occur is that the rise in expenditures, for example in the City of Toronto, is more rapid than the rise in income of its inhabitants. How do we handle that? Well, I think an important approach is to deal with it in a regional context, engaging in some kind of redistribution. Or perhaps dealing with it in a provincial context by transferring resources to the older inner city — which is now almost all of Metro. What should be avoided is trying to bribe industry to get more assessment for the community. The basic problem is simple to state but difficult to solve: costs in one government jurisdiction are rising faster than people's incomes.

Finally then, what is it that municipalities themselves can do? Well, one of my main points is to stop lamenting that you are not the Minister of Finance. In fact, it probably is not a very enviable position to have anyway! Instead, we should focus on what are traditional municipal responsibilities. In doing so, we should not necessarily respond lockstep to private sector forces but instead concentrate on arranging socially desirable patterns of land use, social services, employment and so on. We should not run off with a giant industrial strategy and forget about our housing problems, forget about our transportation system, forget about traditional land uses. It is basically a question of acknowledging that we do have some land use controls which enable us to alter the intra-regional pattern of land use and to provide what is socially desirable.

In doing that, I think a number of principles should be borne in mind. The first is to be realistic about the location of industry. It does not take much imagination to figure out what it is that manufacturing classically needs. It needs proximity of transportation, probably trucks and rail, so you are not going to get a manufacturing plant located away from the major inter-city transportation system. A lot of manufacturing needs large expanses of land for horizontal production processes. If you make them run over two storeys it is staggeringly expensive. The needs of manufacturing are well known so do not try to encourage it to build on the harbour lands or wherever in downtown Toronto if this does not satisfy minimum needs. However, that is not to say that no manufacturing activity can comfortably locate in downtown Toronto. I think Jane Jacobs was very inciteful about analyzing manufacturing activity. Manufacturing is not simply ball-bearing production. It also is the guy who designs little copper plates that go on promotional cups or trophies, for instance. There is an infinite variety of small scale manufacturing that you can find in downtown Toronto if you go off Yonge Street and up on the third floors. These kinds of industry, which need to be close to contributory services, can be kept in downtown Toronto.

Another principle to follow is to focus on the things which are really within your control and I think they are obvious for Metropolitan Toronto: the STOL decision, the

Downsview airport lands, the railway land redevelopment, the harbour lands. In all of these, there is an inter-governmental dimension. But they are ones in which municipalities can have a significant influence.

Finally, excessive bureaucratization of the whole process should be avoided. We do not really understand the process of innovation, job creation and technical change. It is easy to say "let's go high technology," "let's have a micro chip and data processing industry" in downtown Toronto, or Texas Instruments, or whatever. But that is looking at the winners. It is not hard to see winners when you are looking with hindsight. But it is very hard to pick winners right now. My response to people who talk about picking winners is to say the following: if winners are easy to pick, how about the following industrial strategy. Invest in the stockmarket, pick the winners and then redistribute their earnings after you have made all your money in the stockmarket. Risky? Right! It is just not very easy to pick winners. So all this talk about high tech, I think, is a little bit misplaced. Also, do not bureaucratize it. We do not understand how innovation works, particularly, and I rather doubt that the Planning Department of Metropolitan Toronto is going to be able to encourage innovative manufacturing development — to pick the winners — very well. Municipal energies should go into a facilitative role.

Hugh Mackenzie

One of the disadvantages of being last is that you would like to respond to so many things that have been said by previous speakers that you are tempted to throw away your speech and simply deal with them. So before I get into my remarks, I want to say something about the jurisdictional problems that George Fallis talked about. The system that we have in Canada is really a politician's dream. You have economists who are prepared to come up with solutions that fit any predisposition that you might have. Add to that our three levels of government to which blame can be shifted for not doing something, or doing something you do not like, and you have a system with fantastic opportunities to evade responsibility. It is incredibly tempting for politicians to say, "oh, it's those other guys that should have done it" or "those other guys did it and they shouldn't have." To a certain extent, I think that strictly adhering to the letter of the law in terms of the constitutional division of powers is a bit of a copout. I am particularly sensitive to this because I come to this session, and to this problem, from working with the Metro Labour Council in developing an economic policy for Metro, from the perspective of labour. In doing this, we know that we must work in an environment that is actively hostile to the kind of general orientation that we want to put forward. Confronted by this situation, we felt that we had to be a bit creative. We felt we had to push back the bounds of traditional municipal responsibility. Otherwise we were locked in a position of futile impotence.

I think we can boil down the discussion today and the disagreements that obviously exist between speakers into three different areas. First of all, I think we have seen very different definitions of the problem. As well, we have heard several points of view expressed in regard to the solution of those problems. And, flowing from these, we have heard a variety of propositions that we might suggest to local government. I would like to talk a bit about these in turn because each of them is instructive in making some of the distinctions that exist between us.

First of all, in defining the problem, I will admit freely and openly that I am obsessed with manufacturing. I am obsessed with it, not because I am irrational, but because I do not want to go through the same kind of analysis that we have heard from a number of other speakers, most notably, John Britton who has worked with John Gilmour at the

Science Council. Their contributions really have been instrumental in changing the focus of debate in Canadian economic policy in the last ten or fifteen years. I am obsessed with manufacturing for a number of different reasons. The first is the reality of the economy as it exists now, despite what some people said this morning. There may well be a lot of service employment in Toronto. But the fact remains that Toronto still is a manufacturing centre. Sym Gill stole my line but I am going to repeat it anyway. There are more steel workers in Metropolitan Toronto than there are in Hamilton. There are more steel workers in Metropolitan Toronto than there are in Sudbury. There are more members of the United Auto Workers in Metropolitan Toronto than there are in Oshawa. Those facts may be a little startling to people, but they speak clearly to the facts. Despite high rise towers downtown and subways jammed with people going to work in offices, the reality of the employment structure outside the downtown core is that Toronto is a manufacturing town. So when you talk about dismissing manufacturing as a concern in Metropolitan Toronto, you are really dismissing one hell of a lot.

The second reason I am obsessed with manufacturing is because I personally accept, and the Labour Council accepts, the general proposition that the critical national need in economic policy is to get Canada on track for the manufacturing and economic development prospects that face us in the next 15 or 20 years. We are not there now. When people conclude that we are a little behind the United States technologically, let us not kid ourselves. That does not mean that we are a little bit behind the most advanced technological country in the world. It means that we are behind the pack. The leaders are thoroughly, substantially ahead. So the second reason for my obsession is a feeling that the critical problem in Canadian economic development is in strengthening the manufacturing sector in a very fundamental way.

Perhaps at this point I can take exception to the point that we can get all the manufacturing development we want if we reduce wages to 50 cents an hour. Surely that is not the point. If we consider ourselves to be in the same league economically as assembly operations that compete on the basis of low wages, then we have really given up. It seems to me that we have to have more powerful goals than that.

My third reason for being preoccupied with manufacturing is that, like Jane Jacobs, I see a very critical role for Metropolitan Toronto since it is the significant urban area in terms of manufacturing in Canada. I see a critical role for it in acting as the engine for the redevelopment of Canadian industry — and that is really what we are talking about. Clearly, Metropolitan Toronto, in particular, is very important in that process.

From the perspective of the Labour Council, manufacturing is the obvious, critical problem. The consequences of the problem for the unions we represent are seen every day in layoffs and shutdowns, and generally in the process of deindustrialization. That is a long word that is a bit jargonesque. But when workers see plants that used to have machinery in them, stripped and converted into warehouses, that is a very concrete example of deindustrialization that a lot of workers in Toronto witness. Having come to the conclusion that manufacturing was the central problem, the Labour Council's perspective was that an economic policy for Metropolitan Toronto should be judged on the basis of how effecitvely it contributes to a solution of that larger problem. In other words, having defined the overall problem we did not want to be diverted by other matters that were more for local government to go after, and thereby lose sight of the broader perspective we wanted to focus on.

In case anyone thinks that this is such an obvious way to proceed as to be simple minded, I would like to draw attention to the economic policy of Metro Toronto as it is now being carried forward. The policy document that was circulated beginning a year ago, defined the problem essentially in the same way as the Labour Council. That is, it focussed on the weakness of the manufacturing sector and that sort of thing. But then, the policy as it is finally being developed, essentially addresses itself to completely different issues. When you sweep aside the window dressing, the "industrial strategy" so-called is composed of more office development, more tourism, and more and better magazine ads in glossy U.S. publications. And not very much else. There really is not much substance in that! Lots of nice words about the need for industrial redevelopment in Metropolitan Toronto, but little in concrete terms. That is a real problem.

In terms of general orientation toward economic development, we start to stray into the 'grey' area of ideology. The Labour Council believes that the solution to Canada's economic problems in general and therefore the complimentary role that Metro should be playing, lies in a significantly greater degree of public sector involvement in the economy. That obviously is in fairly sharp contrast to other views that have been expressed here. I think it is important to recognize that at least at some levels,

differences stem from ideology, not from analysis. There is a lot of analysis that is trotted out to rationalize ideological predispositions. But I think we must recognize that some general predispositions come first and the analysis and justification come later. Again, the contrast seems quite clear. Mr. Ormsby essentially is talking about reducing the level of government involvement in economic activity, or at the very least, continuing on basically the way we are going and perhaps getting rid of some of the obstacles that it is assumed government has put in the way. I think it is fair to say that George Fallis' position is largely one of facilitating private enterprise trends which is a traditional planning persective in these things. That of the Labour Council is one of advocating a significantly greater degree of public involvement in economic activity.

Let me now move to specific proposals that the Labour Council made in its position paper on economic development. We started from the proposition that we were not going wildly outside the traditional realm of municipal resonsibility but that we were going to push against the margins a little bit. The objective that we took is quite straightforward: the creation of jobs — well paying, secure, manufacturing jobs. Our focus was the things Metro could do directly to help that process along. And here we are not talking about appropriating national economic policy. We are not talking about making the Deputy Commissioner of Planning and Economic Development into the Minister of Finance. We are, however, talking about relatively small things that Metro could do.

The proposals that we developed fall into four general areas. First was municipal enterprise; that is, direct job creation through public investment. Second was the maintenance and expansion of public services to create jobs and to improve our ability to deal with the consequences of social change. We strongly advocate maintenance of the high quality service infrastructure that contributes so much to Metro's economy today. The third area was that of advocacy, and I want to define that term because it has an awful lot of meanings. We want to ensure that Metro becomes a strong proponent of policies at the provincial and federal levels so that the objectives we have set at the local level can be met. For example, many federal and provincial policies actually have been hostile to economic development in Metropolitan Toronto. These governments from time to time have sought to transfer jobs to places like Arnprior. I am not suggesting that all decisions to transfer economic activity from Metro are wrong. But I do think they often are made without adequately thinking through the economic role of a large metropolitan area like Toronto. I think there is an important role for Metro to play in forcing other governments continuously to justify their decision in this regard so that policies that are adopted are not hostile to Metro.

Finally, we dealt with the co-ordination of services. For present purposes we took an agnostic position on whether policies and programs delivered by other levels of government are appropriate or successful. Instead, we focussed on their co-ordination, making the modest point that somebody ought to have at least a vague notion of what programs are available and that some means should be developed to bring together people for whom they are designed with those who provide them. It probably would take me from now until when we are due to go home to list all the programs that various levels of government have that, for instance, are supposed to assist small business or other kinds of economic activity in Metropolitan Toronto. And so the Labour Council recommends that a kind of social service agency for jobs in Metro be established that would take responsibility for co-ordination. It makes sense to have a single agency responsible for that but it makes even more sense to have the responsibility vested in the level of government that has a direct interest in the success of those programs in its jurisdiction.

Summary

David Wolfe

Based on the discussion which has taken place here today, there seem to be a number of themes or issues which underlie the more general problem of employment and the Metro economy. It is these various themes which need to be probed in greater depth in order to develop a more precise understanding of the nature of the urban economic development process and its implications for future employment in the Metro economy. The first theme, and the one most frequently referred to in today's discussions, is the relation between the secondary manufacturing and the tertiary service sectors of the economy. The critical question involves which of these sectors is likely to constitute the leading sector for employment growth in the Metro urban economy. A closely related theme, and one which may ultimately be even more important, involves the nature of the linkages between the two types of employment growth. There were striking differences expressed on this point in particular between the views of David Nowlan this morning, and John Britton in the afternoon. Both speakers acknowledged that the linkages between the two sectors were critical for future employment growth in the urban economy. David Nowlan took an extremely optimistic view, holding that not only were the linkages likely to occur but either already had or were in the process of developing. From this perspective, the most productive role for economic planning at the Metro level of government was to channel and to facilitate the future development of those linkages. The second speaker, on the other hand, took a much more pessimistic view of the nature of those linkages. John Britton argued that it was the relative decline in the secondary manufacturing sector of the country as a whole, and the high technology sector more specifically, that was retarding the growth of jobs in the tertiary sector and would ultimately limit employment growth in the Metro urban economy. This seems to be an issue around which there is a clear difference of opinion and one which is definitely in need of more detailed research and investigation.

Closely related to this theme is the question of the nature and the quality of the jobs which are being created in the tertiary service sector of the economy. Once again, the inadequacy of the existing data was shown in the debate which occurred around the actual statistics on employment growth in Metro Toronto. Some speakers this morning argued that there had been a substantial expansion of employment in the Metro economy, primarily in the tertiary sector, while others questioned the nature and the quality of the jobs which were being created. Marvyn Novick put his finger on the key issue in this area of the debate when he suggested that there were radically different types of jobs being generated in the tertiary sector. These could be divided easily into two broad categories: high wage, high education, knowledge-oriented jobs related to the technologically intensive and innovative industries of the type referred to by John Britton, as opposed to low wage, low education jobs in the area of fast foods and other personal services which frequently employ people on a part-time basis. It was employment in the latter area of the tertiary sector which might account for a very large absolute growth in employment figures, but which might have very little effect on income levels or on the quality of life in the urban economic environment. The critical differences between the types of jobs in these two different parts of the tertiary sector make it important to determine precisely which type it is that is being reflected in the statistics on aggregate employment growth.

This question is related to another point suggested by John Britton in his remarks. Of the types of employment growth which are likely to occur in the tertiary sector of the economy, the most productive and beneficial are those in the field of business services; in other words, in the kinds of tertiary industries created to service secondary manufacturing industries. The key to employment growth of this type in the urban economy obviously lies in the international competitiveness of the Canadian economy in

general and the secondary manufacturing sector in particular. A number of the speakers clearly emphasized the point that without a secondary manufacturing sector which can compete with either the high technology industries of the advanced industrial industries or the low wage industries of the rapidly industrializing countries of the Third World, there are likely to be relatively fewer new jobs of any type created in the Canadian economy. Recognition of this fact makes it evident that any future discussions of employment prospects in the urban economy must also focus on the question of the evolving international division of labour and the ability of Canadian industry to compete in the high technology industries which are coming to predominate in the economies of the advanced industrial countries. To reiterate the point, it is these industries which would appear to hold the key to the future growth of business service related jobs in the tertiary sector, and thus to the quality and nature of the jobs likely to be generated in the Metro urban economy.

This discussion, in turn, raises the question of the role of the public sector in the process of maintaining Canada's international competitiveness and especially the role of public sector spending on economic development and employment growth. Sym Gill cited evidence that public sector spending is being diverted from the social services to the subsidization of business investment. A number of studies which have been done in the United Kingdom have indicated that over the last two decades there has been an absolute decline in the level of pre-tax profits but relative stability in the level of post-tax profits.[1] This phenomenon has been attributed primarily to the increasing generosity of government corporate tax policies. Similarly, a variety of different studies of tax incentives and tax expenditures in Canada lead to the conclusion that the same process has been occurring in this country during the same period.[2] This expanding subsidization of corporate profitability is occuring primarily at the expense of spending on the social services as has also been documented in a number of different studies.[3]

This trend in the relative emphasis being placed in government spending on the subsidization of business profitability versus the provision and maintenance of social services is related to the point made by Marvyn Novick about the trends in the quality of life in the urban environment. As the social service component of public sector spending is being starved by the growing diversion of fiscal resources to the subsidization of business profitability, two consequences seem likely to occur. In the first place, the quality of life in the urban environment is likely to deteriorate substantially as the experience of some of the larger American urban centres seems already to have demonstrated in a rather graphic fashion. At the same time, and perhaps even more seriously, the deterioration in both the quality of social services and the quality of urban life in metropolitan centres seems likely to constitute a substantial disincentive for future business investment in those centres. There is a growing amount of evidence which suggests, as Felix Rohatyn has recently argued, that the urban fiscal crisis of the large metropolitan centres of the American northeast has made those cities significantly less attractive as future sites of industrial or business location, thus perpetuating their problems of an inadequate revenue base and thus the vicious downward spiral of economic stagnation and decline.[4] If, in fact, social services in Ontario in general and Metro Toronto in particular are in the process of being starved by a redirection of public sector funds towards incentives and subsidies for private business, the policy shift may very well prove to be self-defeating. In the longer run, we may find that the vitality of the urban economy has declined considerably as it became a less desirable location for business investment.

This issue of the shifting composition of public spending leads to the broader question which has been raised during the course of the discussion: where are solutions to the problems of future employment growth in the urban economy most likely to be found — in the public or the private sectors? The views expressed by Mr. Ormsby seemed to reveal the ambivalence so often prevalent among business spokesmen. There are two distinct types of government intervention. There is the kind of intervention such as the B.I.L.D. program which is usually greeted with universal acclaim on the part of business which recognizes it for what it is. Then there is the type of intervention which is intended to regulate or control business activities and which is not nearly as universally acclaimed by businessmen. The choices involved in resolving this issue will undoubtedly become more rather than less complex. The questions involved in determining the future role of the government in maintaining or improving the international competitiveness of Canadian industry, as well as in promoting or retarding structural changes in the Canadian economy will be difficult and complex. Similarly, the questions involved in determining the future composition of public spending with respect to policies aimed at economic as opposed to social development will be equally complex. A clue to the answer lies in the observation made above. It is becoming increasingly difficult to view policies aimed at economic or

social development as mutually exclusive. The experience of urban centres in other countries, and the lessons to be learned from that experience, makes it increasingly necessary to recognize that the future of employment growth in the urban environment depends on devising policies for economic and social developments which are complementary. My own suspicion is that the development of these types of policies will necessitate an expanded rather than a reduced role for the public sector. If we in Canada are willing to learn from the conservative experiments currently being conducted in the U.K. and the U.S. we may be able to save ourselves a great deal of time and suffering.

The final point which was raised concerns the question of the jurisdictional responsibilities of the three levels of government in this country. It is a point which has critical implications for the question of the role of the public sector in promoting urban economic development and future employment growth. In a country with a constitutional structure such as Canada's, there are extreme limitations on what course of action can be expected from the urban or most junior level of government. This was a theme which appeared in the comments of several of the speakers. If the fate of the urban economy depends to a great extent on strategies for economic development adopted by the two higher levels of government this clearly imposes serious constraints upon the role which urban governments can be asked to play. This is not to say that there is no role for the municipal governments to play. Probably, the most valuable function which they can serve in this process involves the lobbying of both senior levels of government to acquaint them with the impact and consequences of specific policies, such as the deprivation of the social services, on the urban environment. In addition, they can play a valuable role in advocating the adoption by the senior levels of government of more sophisticated strategies for economic development and ones which recognize the necessary interrelation of economic and social development policies.

Footnotes

1. Mervyn A. King, "The United Kingdom Profits Crisis: Myth or Reality?" *Economic Journal* 85 (March 1975): 33–54.

1. Bob Baldwin, "The Case Against the Rapid Write-off of Capital Costs," *Canadian Taxation* 1 (Fall 1973): 9–15; Richard M. Bird, *Tax Incentives for Investment: The State of the Art,* Canadian Tax Paper No. 64 (Toronto: Canadian Tax Foundation, 1980).

3. Jeffrey Patterson, "Restraint and Cutbacks: Employment Implications," in Social Planning Council of Metropolitan Toronto, *Full Employment: Social Questions for Public Policy,* Papers Presented to Urban Seminar Six (Toronto: 1979), pp. 208–238.

4. Felix Rohatyn, "The Older America: Can It Survive?" *New York Review of Books* 27, No. 21 & 22 (January 22, 1981): 13–16.

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